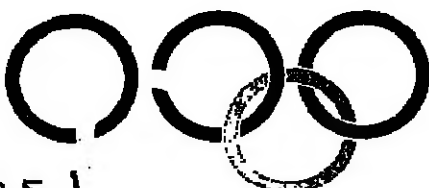


Whaling: The
hunters
return

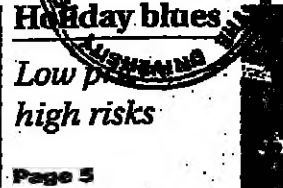
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Olympics: Why
champions
win

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Fine wines:
Bargains on
the rack

Page XII

Holiday blues
Low
high risks

Page 5

NEWSPAPER
of THE YEAR

FINANCIAL TIMES

Weekend August 1/August 2 1992

EUROPE'S BUSINESS NEWSPAPER

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Channel 4 fined for not revealing Ulster source

Channel 4 escaped possible sequestration of its assets and the threat of closure for refusing to reveal the source behind a television documentary on Ulster. Instead, the television channel and the programme's producer, Box Productions, were fined £75,000 in the High Court. They face costs estimated at between £150,000 and £200,000. Page 22

Airbus crashes A Thai Airways Airbus on a flight from Bangkok to Nepal crashed in forest shortly before it was due to land. There were 113 people on board. Rescuers were trying to reach the site. In east China, a Yak-42 airliner carrying 116 passengers and 10 crew crashed on takeoff from Nanjing airport, killing 100. Kennedy Airport escape, Page 2

Weightlifters passed drugs tests British weightlifters Andrew Saxton and Andrew Davies, sent home from the Barcelona Olympics for failing drugs tests in the UK, could be allowed back. Both had passed International Weightlifting Federation tests at the games. Olympics, Weekend Page VI

Market dips as sterling weakens

The FT-SE 100 index finally lost a struggle to regain the 2,400 mark, which had been abandoned early in yesterday's session. After edging briefly higher, the market dipped sharply as sterling weakened against the D-Mark. At the day's low point, the Footsie touched 2,396.8 and closed 12 points down at 2,396.6. London stocks, Page 13, Markets, Weekend II

Inkatha attacks ANC South Africa's mainly Zulu Inkatha Freedom party strongly attacked the African National Congress "mass action" campaign, urging supporters to defy the general strike called for Monday. Page 3

US orders up US factory orders rose 2.3 per cent in June - their biggest gain in 11 months, but personal incomes failed to grow at all after four months of very modest increases. Page 2

McDonnell Douglas earnings down Financially stretched US aerospace group McDonnell Douglas reported a 51 per cent drop in second-quarter earnings to \$38m, (£19.8m), higher-than-expected costs on an airliner production programme and a reversal of its recent success in lowering its debt-to-equity ratio. Page 10

Airport contracts A consortium of Japanese, US and European companies has been provisionally awarded a HK\$90m (£260m) contract to carry out "clamation and site preparation for Hong Kong's Chek Lap Kok airport. Page 8

Agreed bid for Templeton, Galbraith London-listed and Bahamas-based international fund management company Templeton, Galbraith Hansberger, is being acquired by Franklin Resources Incorporated, California-based fund manager, in an agreed deal valued at \$913m (£478m). Page 8

Lloyds profits up Lloyds Bank, smallest of the Big Four UK clearers by asset size, reported an 11 per cent rise in first half pre-tax profits to £263m due largely to lower provisions against bad debts. Page 5

Cadbury backed The London Stock Exchange endorsed recommendations from the Cadbury committee to improve the performance of company boards and said it might make one recommendation - that balance sheet information be included in interim financial reports - a condition of listing. Page 4

End of Blue Arrow case The Serious Fraud Office has abandoned its Blue Arrow prosecution by dropping proceedings against four City advisers charged with fraud over the affair. Page 22

Poll tax lives on One local authority in 12 expects to be collecting poll tax arrears until 2000, even though the tax will be replaced by the property-based council tax in April. Page 4

Leonard Cheshire Leonard Cheshire, Second World War bomber pilot who won the Victoria Cross and then founded a worldwide organisation to care for the disabled, died aged 74.

| STOCK MARKET INDICES | | STERLING | |
|------------------------|---------------------|---------------------|-------------------|
| FT-SE 100 | 2,396.6 (-12.0) | New York, lunchtime | 1,521.16 |
| Yield | 5.10 | London | 1.52 |
| FT-SE 100 | 1,887.77 (-1.15) | DM | 1.92 (1.919) |
| FT-A All-Share | 1,142.14 (-0.76) | DM | 2,942.25 (same) |
| Nikkei | 15,910.28 (+354.68) | FF | 8.88 (8.6) |
| New York, lunchtime | | FF | 2,522.25 (2,523) |
| Dow Jones Ind Ave | 3,288.75 (+4.86) | FF | 244.5 (245) |
| S&P Composite | 424.09 (+0.17) | Z index | 92.3 (same) |
| US LUNCHTIME RATES | | DOLLAR | |
| Federal Funds | 3.1/4 | New York, lunchtime | 1.4776 |
| 3-mo Treas Bill Yld | 3.225% | DM | 1.4776 |
| Long Bond | 109.11 | FF | 4.9825 |
| Yield | 7.432% | FF | 1.218 |
| LONDON MONEY | | Y | 127.26 |
| 3-mo interbank | 10 1/4 (102.9) | London | 1.48 (1.4815) |
| 6-mo long bill | 10 1/2 (103.1) | DM | 3.0825 (same) |
| NORTH SEA OIL (August) | | FF | 1,518.8 (1,521.5) |
| Brent 15-day (Sep) | \$28.375 (20.5) | Y | 127.26 (127.62) |
| Oil Gold | | S index | 60.3 (60.5) |
| New York Comex (Aug) | \$357.4 (358.5) | | |
| London | \$357.35 (358.0) | Tokyo close Y | 127.3 |

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Monopoly probe into British Gas

By Neil Buckley

THE SIMMERING row between British Gas and the industry regulator Ofgas erupted into the open yesterday as Mr Michael Heseltine, trade and industry secretary, agreed to a review of the UK gas market by the Monopolies and Mergers Commission.

Yesterday's surprise move, requested by British Gas, was triggered by disagreements between Ofgas and British Gas over rates of return on the privatised utility's pipeline and storage business.

But it is the culmination of several years of strained relations between British Gas, the government and regulators which the

utility said yesterday had "made medium and long-term planning extremely difficult".

Mr Cedric Brown asked Mr Heseltine for the referral yesterday morning - only hours before he was due to take over as chief executive of British Gas following the decision by Mr Robert Evans, chairman and chief executive, to split the two roles.

Mr Brown yesterday claimed conflicting demands between Ofgas and the Office of Fair Trading, which imposed a wide range of changes on the industry early this year, sometimes led to confusion. Customers and independent suppliers were now demanding more consultation time.

It is the first time a privatised

utility has opted to subject itself to an MMC investigation.

British gas is not the only utility to have a turbulent relationship since the start of the privatisation process in the early 1980s. British Telecom, for example, has been to the brink of an MMC referral but always drawn back.

For British Gas, it is a high-risk strategy which analysts suggested might result in the break-up of the company. The government's decision to agree to British Gas's request to be privatised as a single unit in 1986 is bound to be questioned.

An MMC inquiry will mean months of intense scrutiny of all aspects of British Gas's business and a period of prolonged

uncertainty for shareholders. The MMC could empower Mr Heseltine to modify the Gas Act, under which British Gas was privatised.

British Gas agreed to demands from the Office of Fair Trading earlier this year to hire out its transportation and storage business into an arms-length subsidiary by 1994, and to publish new pricing schedules for independent shippers using British Gas pipelines by this September.

But it has insisted that tariffs should allow the company to earn a fair rate of return on its pipeline assets. It says that is 6.7 per cent on existing assets, and 10.8 per cent on new investment, otherwise, investment in pipeline

by British Gas and its competitors could be threatened.

Mr Brown yesterday accused Sir James McKinnon, director general of Ofgas, of "ducking the issue" and refusing even to consider raising the rate of return above the current level of 4.5 per cent - a move which might mean higher prices for gas consumers.

"I have held three meetings with Sir James McKinnon during which he refused even to begin talking about the rate of return issue, but suggested this was something that should be handled by the MMC."

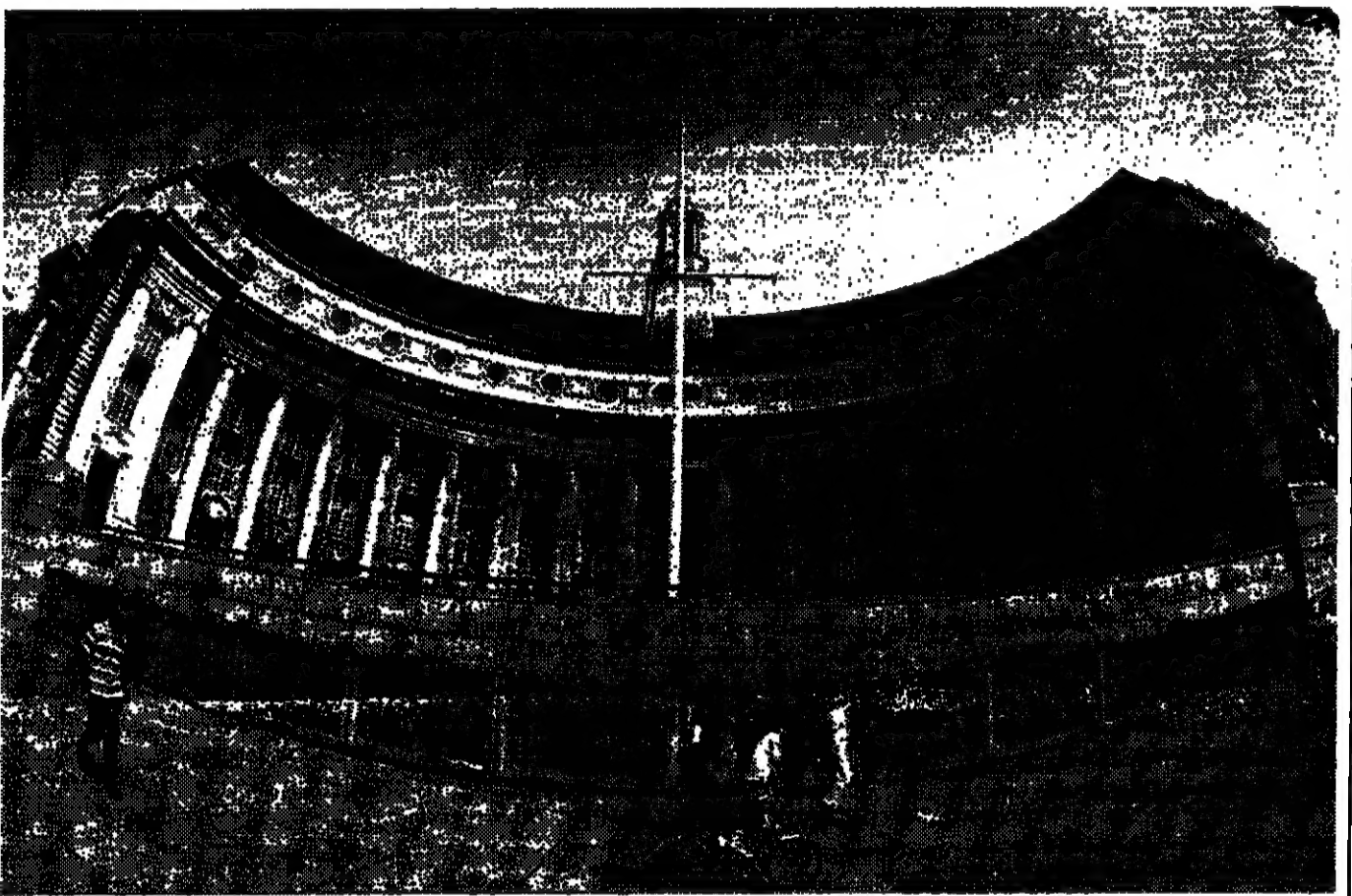
Mr Brown said that without agreement on the pipeline issue, it was impossible to implement

other agreements reached with the OFT and Ofgas in a "piece-meal fashion". He had therefore concluded the MMC should review the whole gas market.

Mr John Dorken, deputy director general of Ofgas, last night attacked what he called British Gas's "misrepresentation".

"It was quite clear that British Gas's proposals were unacceptable to us. Our view was that rather than have a long, long debate about this, it was better to have them debated by the MMC."

Ofgas itself asked the MMC yesterday to investigate the transportation and storage business, but its request was overtaken by Mr Heseltine's decision to widen the inquiry.



Brussels clears way for Twyford Down road plan

By Bronwen Maddox,
Environment Correspondent in
London and Andrew Hill in
Brussels

THE 20-YEAR battle to save Twyford Down in Hampshire ended in failure last night as the European Commission gave the go-ahead to the government's controversial scheme to extend the M3 motorway.

The commission dropped legal actions against the Twyford Down project and four other UK building projects for alleged breaches of EC environmental rules. The move is likely to reduce UK accusations that Brussels is interfering too much in environmental policy.

Brussels officials denied suggestions that the decision marked a climbdown to avoid embarrassing the UK during its six-month presidency of the EC.

The four projects apart from Twyford Down which will now go ahead are the Channel Tunnel rail link, including the terminal at King's Cross, London; the M11 link road at Hackney, east London; an incinerator at South Warwick Hospital and a soft-drinks plant and can-making factory at Brackmills, Northampton. However Brussels, which is still at loggerheads with London

over the scope of EC rules, yesterday took one step further toward bringing legal action against two other UK construction projects.

Last October the then-EC environment commissioner Mr Carlo Ripa di Meana provoked a fierce row between Brussels and London when he said work on the five projects should be halted because surveys on the environmental impact, required by a 1986 EC directive, had not been carried out.

The UK has since convinced the Commission that the environmental impact had been adequately considered. Mr Michael Howard, secretary of state for the environment, said yesterday: "I am pleased that they now accept how comprehensive our approval procedures were."

Mr David Croker, chairman of the Twyford Down Association, who has campaigned for nine years to preserve the beauty spot, said last night: "It looks like the end of an era."

Brussels is still threatening legal action over two projects which it says British did not follow proper procedure - the East London River Crossing through Oxleas Wood and the extension of a British Petroleum refinery in the Scottish city of Falkirk.

Treasury and Bank step up defence of sterling

By Peter Norman
and James Blitz

THE UK TREASURY and the Bank of England yesterday stepped up their defence of the pound's position in the European exchange rate mechanism in the face of renewed weakness on European currency markets.

Mr Robin Leigh-Pemberton, the Bank's governor, moved swiftly to counter damage to sterling following Thursday's criticism of its high value in the ERM from Mr Brian Pearce, Midland Bank's chief executive, and Sir Denys Henderson, ICI chairman.

The UK monetary authorities were "absolutely determined not to tolerate inflation", Mr Leigh-Pemberton said. "This is why our commitment to the ERM is so important and unwavering as a means to that end."

Earlier, in an interview with the Daily Express, Mr Norman Lamont, the chancellor of the exchequer, repeated his opposition to devaluation. It was "fool's gold", he said, and would lead to higher, not lower, interest rates. Dealers said both the Bank of England and the Bank of Portugal intervened in yesterday's foreign exchange market trading, buying sterling after it fell below its permitted floor against the Portuguese escudo, which is the strongest ERM currency.

Continued on Page 22
GDP fall predicted, Page 4
Realignment demanded, Page 5
Editorial Comment, Page 6
Currencies, Page 11
Lex, Page 22

Bangkok driven potty as traffic jams grow longer

By Victor Mallet in Bangkok

DON'T LEAVE home without one potty, that is - drivers in Bangkok have been warned by the Thai government. They should also take emergency supplies of food and water.

This alarmist advice follows a week in which Thailand's capital, already famous for its traffic jams, excelled itself.

A series of nightmare snarls caused by monsoon rains paralysed the city for hours, stranded some children at school until after midnight and delayed international flights, prompting the government to advise drivers to carry rations and chamber pots - just in case.

Commuters took up to six hours to drive a few kilometres to their homes; on most routes there is no alternative to road transport.

At one school in north Bangkok, parents started arriving to collect their children only at 11pm on Wednesday; the last pupil left at 2am the following morning. The jams played havoc with airline schedules because passengers and aircrew alike were unable to reach the airport.

The immediate cause of the chaos was the rain but the real culprits are the successive Thai governments, which have doggedly refused to plan the capital's growth or build new public transport networks.

Wednesday evening's congestion, exacerbated by the flooding of the airport road and by cars running out of petrol after hours

of crawling through the streets, was possibly the worst in the capital's history.

Bangkokians have developed a peculiar culture to deal with the physical and mental strains of their predicament. Even people of relatively modest means employ a driver and use the back seat of the car as a secondary office, complete with newspapers, a mobile telephone and sometimes a television.

An invitation to lunch is followed by a period of delicate negotiation. Each party attempts to name a restaurant close to his or her own office, and the loser is permitted to let and to boast of the appalling traffic jam which trapped him.

Traffic lights often simply add to the misery. Many are operated by hand, and one set has been known to take 15 minutes to change.

Motorcycle taxi drivers, organised into gangs with different territories, have developed a lucrative trade, weaving in and out of lines of stationary cars and buses. Their passengers are either too hurried or too carefree to heed the dangers of driving in Bangkok without a crash helmet.

Immaculately groomed secretaries sit side-saddle behind the driver (usually only the drivers' girlfriends or foreign women straddle the pillion), their legs dangling perilously close to the other vehicles and their minds apparently oblivious to the noise and exhaust fumes. But even

Price fears: the London School of Economics yesterday bid \$65m for County Hall, in London. It wants to move there from its present site but some governors are worried that the cost may be too great for the university's finances. Report, Page 22

Picture: Trevor Humphries

Some ideas were never meant to fly.

But the Toshiba GTO Thyristor was meant to run. And run it does on many European railways.

The GTO Thyristor is a small, lightweight silicon wafer that has the huge task of converting energy efficiently - which it does - on the TGV, the ICE and even the Transmanche super trains.

It is just one way Toshiba semiconductor technology is helping people keep their ideas on the right track. And not just as a flight of fancy.

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NEWS: INTERNATIONAL

Fumbling Bush assailed by bad news on all sides

Opinion polls give Clinton one of the biggest leads in history. Jurek Martin assesses their import

THIS WEEK'S opinion polls make a chilling reading for President George Bush's hopes for re-election.

The state polls are even more ominous than the national polls and the now almost daily blasts of disaffection from conservative Republicans.

Mr Bush knows he is behind and is trying to make a virtue of it on his campaign swing through Texas and California, portraying himself as an underdog with right and experience on his side. Holidays in Maine have been cancelled.

But only Harry Truman in 1948 has eliminated a deficit as large as that by which Mr Bush now trails Mr Bill Clinton, the Democratic nominee, and that was in the infancy of polling. Gerald Ford nearly did so in 1976 against Jimmy Carter, but fell two points short.

Moreover, this contest will be determined in the Electoral College, in which, Maine and Nebraska cur-

ously excepted, the winner of a state gets all the votes. They key to Republican success in five of the last six elections has been to lock up large blocs of the country, particularly the south and most of the west.

This strategy now looks vulnerable. As tabulated by The Hotline, the invaluable daily political newsletter, the nine latest scattered state surveys put Mr Clinton ahead everywhere. In only North Dakota and Virginia do his four- and seven-point respective leads fall within the pollsters' usual margins of error.

His biggest advantages are in the two largest states; Mr Clinton leads in California by 52-38 per cent and in New York by 56-28 per cent. Mr Bush is even behind in Orange County, California, where Democrats are eaten for breakfast.

The news from important "swing" states is equally bad. In North Carolina, Mr Clinton leads by 53-34 per cent, in Missouri by 57-23 per cent, in

Washington by 56-32 per cent and in Minnesota, with a stronger Democratic tradition, by 60-31 per cent. Even the supposedly solid south-west looks shaky. In Arizona,

Mr Bush is even behind in Orange County, California, where Democrats are eaten for breakfast

for example, Mr Clinton holds a 50-37 per cent edge.

The current polls may overstate Mr Clinton's strength as much as those taken before the Democratic convention and Mr Ross Perot's withdrawal, showing him leading in only two of the 50 states, underestimated it, though the race then was three-way.

At the moment they reflect the desertion to Mr Clinton, not to Mr

Bush, of the Perot volunteer army (by a four-to-one margin in California, for example) and the perception that the Clinton-Gore campaign is on a real roll, while the Bush-

mistic Fred Malek, the Bush campaign strategist, saying he would be "a foolish person" to ignore a 60-28 per cent poll result. Congressman Vin Weber of Minnesota, cracked: "It is one thing to say there is a hurricane coming, it is another to see your basement flooding."

George Will, the columnist, really opened the gates on Wednesday by calling on the president to withdraw from the race. Since then, Richard Viguerie, a big conservative fundraiser, has demanded that Mr Bush back out and engineer a ticket headed by Jack Kemp, the housing secretary, with James Baker, the secretary of state, as running mate.

Mr Adam Myerson, of the Heritage Foundation, the right-wing think tank, confessed that "conservatives do not think a Clinton administration could be much worse than a Bush administration." Mr Burton Pines, from the same stable, added: "For all the talk of dumping Dan

Quayle, we should be talking about dumping George Bush."

Mr Tommy Thomas, former Republican party chairman in Florida, paid for a full-page advertisement (\$45,000) in the Washington Post calling on Mr Quayle to step down. He later said he wanted Mr Baker to run with Mr Bush, apparently forgetting that the law prevents both members of a ticket coming from the same state (though Mr Bush, whose legal residence in Texas is only a hotel room, could always declare he lived in Maine, while Mr Baker keeps a home in Wyoming).

One veteran Washington insider, who has worked with Mr Bush over the years, says the president has the sometimes distressing habit of heeding the advice of the last person he has spoken to in private. The conservative laments are public. Only James Baker, apart from Barbara Bush, has the clout and the access to tell the president what to do.

Moscow makes a collective show of disunity

By Leyla Boulton in Moscow

THE Russian cabinet sat down in front of the world's press yesterday to show how united it was, then blew the whole thing.

The young radical reformers, fortuitously massed to the left of a long table, were conspicuous for the absence of their leader, Mr Yegor Gaidar, the acting prime minister.

Mr Vladimir Shumelko, the first deputy prime minister made a show of taking charge, but opened the proceedings with a denial that he and other new "industrialists" in the cabinet were promoting a U-turn in economic policy.

Mr Goryunov Khizha, one of the other new cabinet members, called for increased cash hand-outs as the main solution to the crippling debt crisis among enterprises, but Mr Anatoly Chubais, the deputy prime minister in charge of privatisation and "co-ordinating" economic reform, was quick to differ.

It was normal practice to increase working capital to keep up with inflation, but "any excessive" provision of "new credit" would trigger hyper-inflation, he said.

When Mr Shumelko left open the possibility Russia might miss financial targets agreed with the International Monetary Fund ("We and the fund are clever people who can always find an accommodation"), Mr Alexander Shokhin, the deputy premier for foreign economic relations, stoutly defended the IMF accord.

"I'd like officially to declare that we are pursuing these targets not because they are demanded by the fund but because they are required by our own policies," he said. "We don't need hyper-inflation and a huge budget deficit."

The economic debate continues to be confused with arguments over external political influence. The Nezavisimaya Gazeta newspaper predicted yesterday that foreign minister Andrei Kozyrev's days in office were numbered because of his pro-western focus. He replied there were any problems.

But this still did not stop him from complaining minutes later that he had not even been consulted over the drafting of new regulations on the movement of foreigners within Russia - although he is in charge of operating them.

Ambitious telecom project

By Leyla Boulton and Dmitry Volkov in Moscow

THE Far Eastern part of an ambitious project to link the former Soviet Union with a sophisticated international telecommunications network will begin in October with tenders to carry out the work.

Mr Oleg Belov, for the Russian end of the project, said yesterday contracts for providing and laying fibre optic cables between the Russian city of Khabarovsk, Japan and South Korea would be put out through competitive bidding.

A memorandum of understanding to put the \$100m Far Eastern link into operation by 1995 was signed yesterday by Russia's Inter-Telekom, Japan's Kosei Denzoku Denwa (KDD) Kosei Denzoku and two Danish telecommunications companies involved in linking the western and eastern ends of the former Soviet Union via the Baltic Sea.

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Bundesbank hawk defends tough line

By Christopher Parkes in Bonn

ONE of the Bundesbank's leading anti-inflation hawks yesterday accused the government of failing to do enough to protect the D-Mark. He also confirmed that Mr Theo Waigel, finance minister, had tried to head off last month's controversial increase in the German discount rate.

"Unfortunately, the Bundesbank currently bears an over-heavy responsibility for the stability of the D-Mark, since pay and finance policies deny it the necessary support," Mr Lothar Müller, a member of the Bundesbank's policy-making central council, said in a letter.

The discount rate rose from 8 per cent to 8.75 per cent, imposed to bring money supply growth under control, was "necessary, suitable and moderate," he added.

Mr Müller, who is also president of the central bank of

Bavaria, was replying to a sharp attack from Mr Erwin Huber, general secretary of the Christian Social Union. The CSU is a senior partner in the Bonn coalition. Led by Mr Theo Waigel, it sponsored Mr Müller's appointment to the Bundesbank council.

Mr Huber claimed in a newspaper interview yesterday that Mr Müller had defied the finance minister over interest rates and abused his office with a recent call for a referendum on the Maastricht treaties on European Union.

Mr Müller wrote to Mr Huber personally, saying he regretted going against Mr Waigel's wishes, but making plain that the Bundesbank council was politically independent and committed to maintaining the D-Mark's status and stability.

The attack, which signalled a determined effort to make Mr Müller toe the party line, if not remove him, came at the end of a week of unusually harsh

complaints about the Bundesbank's latest move.

A study from the respected DIW economics institute in Berlin accused the central bank of pursuing a "misguided" monetary policy. The latest rate rise, intended to rein in money supply, would in fact increase it, and aggravate recessionary tendencies in west Germany.

The VDMA engineering industry association, reporting a 21 per cent fall in domestic orders for June, said the prolonged period of high interest rates was making matters worse. Bundesbank policy had reduced industry's room for manoeuvre, it added.

Although Mr Waigel has not objected publicly to the Bundesbank's strictures, he and the rest of the cabinet are under heavy pressure from European Community partners concerned that high German rates are reducing their chances of early economic recovery.

Testimony damages Collor

By Christina Lamb in Rio de Janeiro

BRAZILIAN President Fernando Collor came closer to impeachment yesterday over charges that he received money obtained illicitly by businessman Paulo Cesar Farias.

The claim of Mr Claudio Vieira, a former Collor aide, that the money came from a \$5m loan raised in Uruguay in 1989, was undermined again yesterday by testimony to the Congressional Inquiry (CPI) into Mr Farias. The secretary of a Sao Paulo businessman confirmed in detail that the loan was fabricated and that she had typed the documents last week.

Mr Vieira claimed that he had lent 7kg of gold purchased with the loan, to Mr Farias who had then deposited the money into the account of Mr Collor's wife when she needed clothes. He admitted he had no idea how the money had entered the account or how the loan would be paid back.

The CPI is due to end next week when an impeachment process is expected to begin.

EC's banana split

A plan to heal a damaging split in European Community ranks over bananas was approved by the Commission yesterday, Reuter reports from Brussels.

The Commission proposal would impose quotas on imports from 1993. It would mean a basic quota of 2m tonnes for 1993.

Imports would be subject to customs duty of 20 per cent, except for those from African, Caribbean and Pacific (ACP) countries, whose sales are protected in a pact with the EC and are not subject to duty.

Investigator quits

The head of the official investigation into the \$535bn (\$525m) Bombay financial scandal has resigned, writes Shiraz Siddiqui in Delhi. Opposition leaders accused the government of putting pressure on him to go slow in his inquiries.

Sources in the ruling Congress party said the prime minister, Mr P.V. Narasimha Rao, hoped to convince Mr K. Madhavan, head of the Central Bureau of Investigation, to withdraw his resignation.

Sharp rise in US factory orders

By Jurek Martin in Washington

IN mixed US economic data published yesterday, factory orders in June recorded their biggest gain in 11 months, while personal incomes failed to grow at all in the same month.

The 2.3 per cent rise in orders reversed the 0.9 per cent decline in May. The durable goods sector rose by 2.7 per cent, having fallen 2.1 per cent the previous month.

Defence orders, always volatile on a monthly basis, shot up by 19.5 per cent, mostly offsetting the 22.2 per cent decline in the previous month. Excluding defence, overall orders rose by 1.9 per cent.

Few signs of recovery for airlines in first half

By Paul Betts, Aerospace Correspondent

THE world airline industry has had a disappointing first half, with few signs of a strong recovery in international passenger traffic.

Although traffic rose by 21 per cent in the first half compared with the same period last year, the International Air Transport Association (IATA) yesterday said this reflected the abnormal circumstances of 1991, when the industry was

hit by the Gulf crisis travel slump. Compared with 1990, first-half passenger traffic growth was only 8 per cent higher, IATA said.

Freight traffic grew 6 per cent in the first half. For June, passenger traffic was 10 per cent higher and freight traffic 4 per cent higher than in June last year.

Airlines are also continuing to maintain high capacity levels, which are putting pressure on yields.



ALL 291 people aboard a TWA jet aircraft made a dramatic escape at Kennedy Airport yesterday within minutes of an aborted takeoff and fire that gutted the rear half of the plane, AP reports from San Francisco. At least 65 people were injured. "It's amazing no one died on that thing," said Mr Tom Middlemiss, a Kennedy airport official.

Commission wants Sweden to give pledge on defence before joining EC

By David Buchan in Brussels

SWEDEN should agree to join in an eventual common European defence as the price for entering the EC, the European Commission said yesterday.

This was the only seriously contentious issue raised by the Commission in what Mr Frans Andriessen, the external affairs commissioner, called a "perfectly positive" opinion on Swedish membership.

A year ago Sweden followed Austria in applying for membership, prompting similar

action from Finland and Switzerland, and possibly from Norway this autumn. The EC has said it is ready to start formal accession negotiations with these countries from the European Free Trade Association (Efta), once future Community financing has been agreed and the Maastricht union treaty ratified.

The difficulty of ratifying Maastricht, after it was rejected two months ago by Denmark, still places a certain mark over admission of new EC members.

Sweden has convinced the EC that it will accept a common foreign and security policy. But it still has reservations, the Commission noted, on Maastricht's provisions on defence. Mr Carl Bildt, the Swedish prime minister, has repeatedly stressed Sweden's desire to conduct its own immediate defence itself.

Anxious lest incoming Efta neutrals stymie the Community from developing a common defence one day, President Jacques Delors persuaded his Commission colleagues

that Sweden should, during its accession negotiations, be made to give "specific and binding assurances" that it will accept whatever emerges from Maastricht in this area. The Commission is likely to recommend the same in its opinions on Finland and Switzerland later this year.

By contrast, Sweden should find it relatively plain sailing to adapt its relatively successful economy to Community requirements, though the Commission signalled likely difficulties for Sweden's farmers.

Brussels backs off in state aid rows

By Andrew Hill in Brussels

THE plan is likely to be resubmitted to the Commission in September, although it may have to be substantially reworked to attract enough support from other commissioners, who expressed serious reservations yesterday.

They were said to be worried about pending legal action by the Spanish authorities, which disputes Brussels' right to open a state aid investigation. The Spanish authorities wrote off Pt35bn of debts owed to them by CCC, an electricals group which

ABB bought in June 1990. CCC would have difficulty repaying the write-off itself. Separately, the Commission decided to delay imposition of a 10 per cent customs duty on Chrysler vans imported into the EC from a new Austrian factory.

Brussels alleges that Austria provided excessive subsidies for the factory, breaking the terms of a trade agreement with the EC. The commissioners decided on further talks with Austria before they submit formal pro-

posals for duties to EC member states. The Commission is to take the Italian government to the European Court for not implementing two 1989 Commission decisions calling for the refund of L.875.5bn (2399m) of state aid - L.615.1bn from Alfa Romeo and L.260.4bn from Lanerosi - to be repaid to the Italian state rather than to state-owned holding companies. The Alfa Romeo decision has already been upheld once by the European Court.

While the international community searches for a political solution to the Yugoslav crisis, many Croats believe the only solution is to intensify pressure on Serbia. Most are unwilling to make any compromise with Serbia until Croatia controls its own territory.

Massa Silić, a 22-year-old student, says: "Until they [the Serb militia] stop the killing in Bosnia, we need the strongest government to protect Croatia and help unite the territory again."

War prompts rampant nationalism in Croatia

Laura Silber on the mood in the former Yugoslav republic on the eve of elections

ON THE EVE of presidential and parliamentary elections, thousands of Croats in Zagreb at a rally for the Croatian Party of Rights raised their hands in a Sieg Heil salute, and vowed to defend their homeland.

Ultra-nationalism in Croatia, embodied by the Croatian Party of Rights (HSP), will be on the rise until an agreement is reached to end the war between the former Yugoslav republic and Serbia.

Mr Milorad Pupovac, a leader of the Serbian Democratic Party, says: "Mutual recognition by the two countries would be an important and necessary step towards a political solution."

The need for Croatia to reassert control over its territory has been the single most important issue of the month-long election campaign. The war, which began in June last year, gave rise to nationalism and appears to have eclipsed all other issues.

Elections posters throughout the capital call for a "free and strong Croatia". One of the HSP posters portrays a handsome Croat soldier pointing a machine gun.

Mr Branko Horvat, a Zagreb economist, says: "Only when you can walk freely from one end of the country to the other, can you have democracy."

A chain of explosions sowed terror and caused heavy casualties in central Sarajevo yesterday in an attempt by rebel Serbs to force Bosnia's Muslim leaders into peace negotiations. Reuter reports from Sarajevo. People fled to safety as mortars fell on streets outside the presidency building, parliament and city-centre shops in the worst daylight attacks for several weeks in the Bosnian capital.

The fighting forced UN peacekeepers to close Sarajevo airport to relief flights for the besieged city's 350,000 inhabitants and caused a visible change of mood. The attack closed the airport just as General Lewis Mackenzie, the outgoing commander of UN peacekeeping forces in Sarajevo, was about to take off. Croatian radio said.

"If you wish to have a democracy in Croatia, then you must stop the war," says Mr Horvat, whose Social Democratic Union party stands little chance in Sunday's poll. While

the bloodshed has eased in Croatia, people say the war will not be over until the Croatian government gains control of the third of its territory patrolled by UN forces.

Diplomats in Zagreb say progress towards democracy will not begin until the question of sovereignty is resolved. One said: "Democracy is simply not the main issue at this point. People are concerned with territory."

Mr Horvat says only when the war is over will people address the economic decline in Croatia. Industrial production is 50 per cent below that of 1989, he says. Inflation is running at 25 per cent a month. Unemployment is vaguely estimated at 15-30 per cent, not counting the 700,000 refugees in Croatia and the UN-controlled zone. Mr Horvat says economic renewal is contin-

gent on the government giving up control over the economy. He sees economic reform as a crucial step in achieving real democracy.

While the international community searches for a political solution to the Yugoslav crisis, many Croats believe the only solution is to intensify pressure on Serbia. Most are unwilling to make any compromise with Serbia until Croatia controls its own territory.

Massa Silić, a 22-year-old student, says: "Until they [the Serb militia] stop the killing in Bosnia, we need the strongest government to protect Croatia and help unite the territory again."

HK airport deal for consortium

By Simon Hoberman
in Hong Kong and
Andrew Taylor in London

AN international consortium of Japanese, US and European companies, was yesterday provisionally awarded a HK\$3.5bn (2500m) contract to carry out reclamation and site preparation for Hong Kong's Chek Lap Kok airport.

The bid by Airport Platform Contractors was the lowest from four short-listed consortia, and was well below the HK\$10bn budgeted for the work by the Provisional Airport Authority, the government corporation charged with overseeing and managing the project.

The contract is expected to take about 3½ years to complete. Members of the consortium include Nishimatsu Construction of Japan, Costain of the UK, Morrison Knudsen of the US, China Harbour Engineering from China, Ballast Nedam, a Dutch subsidiary of British Aerospace, and Jan De Nul of Belgium.

Work will involve levelling the 1,248 hectares site on Chek Lap Kok Island and reclaiming

land from the sea. The formal award of the contract requires China's approval for the financing of the airport, which, allowing for estimated inflation, is forecast to cost HK\$68.5bn. The Hong Kong legislature then has to approve the arrangements.

Beijing's approval is expected to take some time. The consortium has agreed to extend the closing date of its offer from mid-October until the end of November.

Failure to meet this deadline may mean the contract being put out for re-tendering, which could lead to higher costs. The planned completion date of before June 1997 would also be difficult to achieve.

It is the second big contract to be awarded for the airport project, which includes large-scale road and rail links to the mainland. In May an Anglo-Japanese consortium which included Costain and Trafalgar House, the UK construction, property, shipping and hotels group, was awarded a HK\$7.1bn contract to build one of the world's largest suspension bridges.

Negotiations between Britain and China about the financing of the whole airport project broke up on Thursday without agreement. Yesterday Mr Chris Patten, the colony's governor, said he hoped for rapid progress in negotiations after August.

China is concerned about the cost of the project, the financial guarantees made available to the project by the government, and the prospect of heavy debts accruing to the post-1997 government of the colony.

Britain is seeking China's agreement to the financial package devised for the Provisional Airport Authority. It is prepared to make concessions on the financing of the airport railway, the principal source of concern to China.

Any concerns China has in this regard are unlikely to be allayed, or confirmed, until Mr Patten makes known his plans on the colony's future political structure in the autumn.

But the provisional award of the contract, which came in under budget, has increased the pressure on Beijing to approve the financing for the airport.

Mideast talks for August 24

By Hugh Carnegie
in Jerusalem

WASHINGTON and Moscow have invited participants in the Middle East peace talks to resume bilateral negotiations in the US capital on August 24, the first meeting since the change of government in Israel last month.

Hopes of a breakthrough in the talks launched last October, have been raised by the election victory of Mr Yitzhak Rabin, who has promised to accelerate the process. He has accepted having the next round in Washington, which the previous government had rejected, and is prepared to make greater concessions to the Arabs than Mr Yitzhak Shamir, his predecessor.

In a rare interview with an Israeli newspaper published yesterday, Mr Yasser Arafat, chairman of the Tunis-based Palestine Liberation Organisation, called on Mr Rabin to drop Israel's refusal to negotiate directly with the PLO in the talks.

Mr Arafat also reiterated the Palestinian demand to introduce into the negotiating process the issue of the right of Palestinian refugees to return to their original homes.

Inkatha denounces strike plan

By Michael Holman in Johannesburg

POLITICAL tensions in South Africa heightened yesterday as the mainly Zulu Inkatha Freedom party (IFP) strongly attacked the African National Congress (ANC) "mass action" campaign, urging supporters to defy the general strike called for Monday.

In Johannesburg, Mr Humphrey Ndlovu, a senior IFP official, accused the African National Congress (ANC) of adopting a "deliberate confrontationalist policy of mass action".

An anti-strike march by the IFP is due to take place today in Durban, in the party stronghold of Natal province.

The ANC has appealed to strikers and demonstrators to behave peacefully, and said yesterday that leading companies had agreed not to take disciplinary action against striking staff.

Mr Nelson Mandela, the ANC president, consulted "senior management of major companies", according to a party statement, and sought assurances that workers would not be dismissed. The ANC accepts, however, the "no work, no pay" stance taken by business.

Between 10 and 12 United Nations observers will be in South Africa to monitor the

two-day strike, which is planned to be followed by three days of demonstrations, sit-ins and rallies.

Mr Cyrus Vance, the UN envoy to South Africa, said last night that he "hoped and prayed" that the week of protest would pass off peacefully.

Mr Vance, speaking shortly before his return to New York last night, will report back to the UN secretary general, Mr Boutros Boutros Ghali, early next week.

He made clear that he expects to return to South Africa as part of a UN initiative, and is expected to recommend that the world body attach observers to local institutions, such as the Goldstone commission into township violence, and the National Peace Accord, a body set up last year to help curb political killings.

Earlier in the day President F.W. de Klerk's office said the government and the ANC would hold a further round of talks in "the near future". A spokesman confirmed reports of Tuesday's meeting, the first official contact since the ANC suspended negotiations last month, but said no agreement had been reached over the release of remaining political prisoners - one of the ANC's conditions for the resumption of multi-party constitutional negotiations.



ANC leader Cyril Ramaphosa and Cosatu trade union federation leader Jay Naidoo at a press conference backing the general strike call

Japanese data show setbacks for economy

By Robert Thomson in Tokyo

NEW job offers in Japan fell sharply in June and consumer prices in Tokyo were slightly lower last month, reflecting the slowdown in economic activity that prompted the Bank of Japan to cut official interest rates this week.

The ratio of job offers to applicants fell from 1.14 in May to 1.08, the lowest in four years, the Labour Ministry said. Most big companies have announced plans to reduce staff intake this year, and a few smaller ones have been laying off staff recently.

New job offers in the manufacturing industry fell 23.5 per cent on the same month last year, with a 60 per cent fall in demand for seasonal and part-time workers. However, there is still a labour shortage in service sector businesses and in some factories.

The ratio of job offers peaked at 1.47 in March last year, and has since fallen consistently, prompting the ministry to start a study into sectors with a surplus of workers.

Meanwhile, housing starts in June rose a slim 1 per cent on the same month last year, with a 20 per cent increase in starts for rental houses, but a 41 per cent plunge in starts of houses for sale, the 15th consecutive month of decline, the Construction Ministry reported.

The Bank of Japan argues that the bottoming-out of the housing market, at least in the rental area, means an economic recovery is not far away, but apartment prices are still declining and the share prices of leading property developers have fallen sharply over the past month.

The central bank was reassured by the 0.4 per cent fall in Tokyo consumer prices this month, the first decline in five months, as it reinforced the bank's view that the inflation threat has receded.

Evidence that Japan's slowdown may be intensifying prompted the Daiwa Institute of Research, linked to Daiwa Bank, to revise downward its growth estimate from 2.8 per cent to 2.5 per cent for the fiscal year to March.

JVC, the Japanese consumer electronics company, is to produce television sets in Shanghai in a joint venture which will be its first manufacturing project in China, Gordon Cramb writes from Tokyo. Production will begin in December and is intended to reach an eventual 240,000 sets a year. These will be exported, but JVC will also use the site to assemble knockdown kits for video cassette recorders, camcorders and karaoke equipment aimed at the Chinese market.

JVC will have 55 per cent control of the venture. The main local partner is Shanghai Video and Audio Electronics, which has 29 existing plants making televisions and video cameras, and 6,000 sales affiliates and service centres across the country.

The venture, though employing only 70 people in its first year when TV output is expected to be 48,000 units, gives a boost to Shanghai's Pudong free trade zone, where it will be located.

UK fears 'chaos' in Kenya soon

By Julien Ozanne in Nairobi

THE British High Commission in Nairobi has warned the Foreign Office that Britain could lose millions and face an influx of up to 40,000 people with a right to settle in the UK if Kenya descends into chaos.

A confidential memorandum, whose authenticity was confirmed yesterday by British officials, presents a rare glimpse of Whitehall's view of the unfolding transition to democracy in Kenya.

It says: "The real risk to our interest comes from the possibility (by no means unlikely) that rather than peaceful transition, Kenya will see chaos before the end of 1992."

In the memorandum, published this week in Kenya's Finance magazine, officials identify British interests as annual exports worth \$250m, investment of \$1bn, military training, regional stability, Kenyan support for Britain at the United Nations and "avoidance of developments which would lead to an influx of perhaps 30,000-40,000 people into the UK fleeing disorder in Kenya and with some claim to settlement in Britain".

Although the memorandum was written earlier this year recent developments underline the High Commission's misgiv-

ings. A bitter power struggle has erupted in Kenya's main opposition party, raising the spectre of clashes on tribal or personality lines. On Thursday anti-riot police in Mombasa fired into the air to disperse clashing supporters of the two factions in the Forum for the Restoration of Democracy (Ford). Ethnic clashes, which have left at least 400 dead this year, continue to simmer.

The leaked British memorandum gives an incisive analysis of the strengths and weaknesses of Kenya's political forces and says that while both Ford and President Daniel arap Moi share responsibility for tribal violence "the government bears the heavier load."

British interests, it says, have been "generally well served by Moi's regime though they have been put at risk by the increasing corruption, economic inefficiencies and degeneration of the political system."

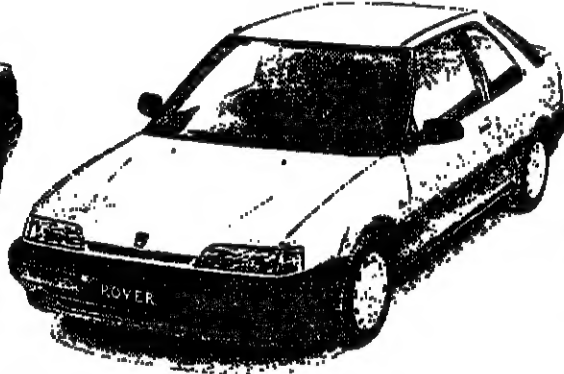
Relations with Kenya cooled in November after Britain joined other donors in suspending aid to Kenya until democratic and economic reforms were implemented.

Sir Roger Tomkys, British High Commissioner to Kenya, said yesterday he regretted the publication of the document which had resulted from a "breach of trust".

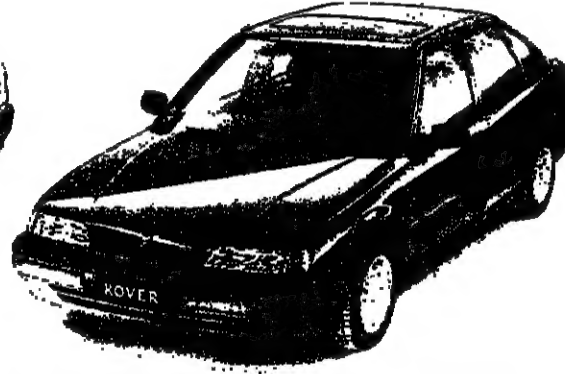
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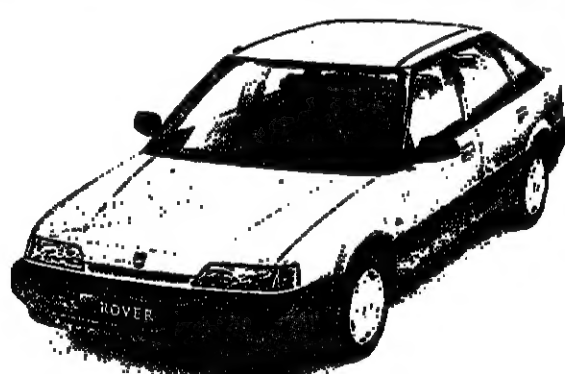
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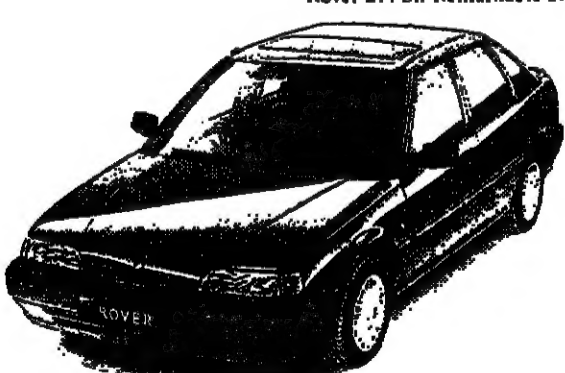
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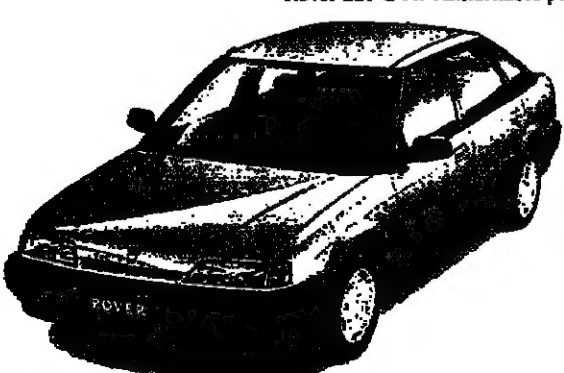
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NEWS: UK

SE backs Cadbury proposals

By Norma Cohen,
Investments Correspondent

THE London Stock Exchange yesterday issued an unqualified endorsement for recommendations to improve the performance of company boards proposed by the Cadbury Committee.

The exchange also said it was considering whether one of the committee's recommendations - that balance-sheet information be included in interim financial reports - be made a condition of listing.

The committee, which considered financial aspects of corporate governance, issued a report in May calling for companies to comply voluntarily with a code of best practice for directors.

The committee was formed at the instigation of the Financial Reporting Council, the accountancy profession and the London Stock Exchange, and included representatives of industry, shareholders, academia and the Bank of England.

Among its key recommendations was for a Stock Exchange listing requirement under which companies would be required to disclose the extent to which they complied with the voluntary code of conduct and where they diverged from it. While those companies which fail to comply would risk delisting, it is considered unlikely that the Exchange would do more than censure such a company.

The listing requirement was the only enforcement mechanism proposed by the committee and has been criticised by shareholder groups as falling short of what is needed to

THE Cadbury Committee on corporate governance contains "serious omissions" on enforcement and internal auditing, the Institute of Internal Auditors said yesterday.

The Institute said effective corporate control could not rely on external auditors and required professional internal auditors employed by directors to advise on controls within the company.

Mr Harold Ezzard, Institute spokesman on corporate governance, said: "Cadbury is really a top-down review while we approach the company from the bottom up. But non-executive directors are very vulnerable without internal auditors."

The submission to the Cadbury committee argues that external auditors are restricted by the level of their fees, and mainly concentrate on financial controls.

improve corporate governance. Yesterday the Exchange split out how it intends the listing requirement to work.

The code of practice itself will not form part of the Exchange's so-called Yellow Book of rules, only the provision that the extent of compliance be disclosed. The rule would apply to companies seeking listings for the first time as well as those already listed.

The listing requirement has also been strongly criticised by the Confederation of British Industry.

Sir Michael Angus, CBI chairman, said the new listing requirement might lead to additional layers of bureaucracy for business.

Economists see new fall in GDP

By Peter Norman,
Economics Correspondent

ECONOMIC forecasters have scaled back their expectations of Britain's economic performance this year and next, according to data released by the Treasury yesterday.

The Treasury's latest survey of independent forecasts, compiled last month, showed that on average economists now expect gross domestic product to fall this year by 0.2 per cent and GDP growth in 1993 to be only 2 per cent. The June survey of 30 forecasters in the City, economic research institutes and academia pointed to growth of 0.4 per cent this year and 2.5 per cent in 1993.

The increased pessimism has caused the forecasters to revise upwards their expectations of unemployment and the govern-

ment's public-sector borrowing requirement.

The latest consensus is that unemployment, which was 7.7m in June, will rise to 8.8m in the final quarter of this year and increase further to 9.7m by the end of 1993. In June, the forecasters predicted unemployment of 2.8m at the end of this year and 2.8m in the final quarter of 1993.

The survey found that, on average, forecasters now expect the PSBR to total £31.7bn in the current financial year and £36.4bn in 1993-94, up from June's estimates.

The survey's only good news for the government is that consensus expectations for inflation have fallen to 3.5 per cent by the end of this year from 3.9 per cent previously, and 3.3 per cent by end-1993 from 3.5 per cent before.

Judges help palace maid to sue press

By Robert Rice
and Raymond Snoddy

AN APPEAL Court decision in favour of a former maid at Buckingham Palace opened the way yesterday for actions against newspapers by people who cannot afford to sue for libel.

The court gave Miss Linda Joyce, a former Royal maid, the right to sue Today newspaper for "malicious falsehood", rather than libel, over an article that accused her of

stealing intimate letters belonging to the Princess Royal.

The judges said it was "as plain as a pikestaff" that Miss Joyce had been libelled, but said she could not afford to sue at her own expense. While legal aid was not available for defamation cases, it could be obtained for an action for malicious falsehood.

Mr Mark Stephens, her solicitor, said: "The court has remedied a great social injustice. It has finally recognised that

poor people should have the right to clear their names if newspapers recklessly lie about them."

Miss Joyce, of Stonehouse, Gloucestershire, who is currently unemployed, had been told it would cost £40,000 to commence libel proceedings. Palace maids earn about £5,000 a year. The court said it did not expect to see people who had been defamed "queuing up to issue writs for malicious falsehood" in future.

It is more difficult to prove malicious falsehood than libel. Plaintiffs cannot recover damages for loss of reputation but only for proven financial loss or the real likelihood of financial loss. They must establish both that a statement was false and that it was published with malice or with reckless indifference to its truth or falsity.

The court rejected Today's argument that Miss Joyce's action should be struck out as an abuse of process. The newspaper argued that allowing her to proceed by way of malicious

falsehood denied it the defences available in libel actions and the "absolute right" to have the issue tried by a jury.

Sir Frank Rogers, chairman of the Newspaper Publishers Association, yesterday said the ruling was "potentially very dangerous for newspapers".

Mr David Newell, deputy director of the Newspaper Society, which represents local and regional newspapers, called for a comprehensive review of media law.

Hopes and fears in the car bazaar

John Griffiths examines the queue for the first of today's K registration plates

IT WAS party time last night at the Reg Vardy motor group's flagship Nissan dealership, which stands almost in the shadow of the Japanese carmaker's plant near Sunderland.

Mr Neil Dunkley, the dealership's general manager, estimated about half of the more than 140 customers who ordered new Nissans for August delivery with the new K plate registration would turn up for the party. At the stroke of midnight, they would drive home in their new purchases, and Reg Vardy would celebrate what has been a surprisingly strong sales period. The group's 21 sales and service outlets pre-sold for August as many new cars as they sold throughout August last year.

Meanwhile, far to the south, in Fulham, west London, Mr Graham Horder, owner and managing director of Cheyne BMW, claims to be rubbing his hands in anticipation of a bonanza of August new car sales. "Last year we delivered 87 BMWs during August, which was a good result given the circumstances," he says. "This year we have already got August orders for 134 cars, and they are still coming in each day."

Both dealers either occupy an apparently recession-proof island in the moribund UK economy, or August new car sales this year will confound the anxieties of manufacturers and the big dealers.

The indications are that, when the Society of Motor Manufacturers and Traders tops up sales figures in early September, August will have provided little to cheer about. Indeed, suggests Professor Gareth Rhys, the SMMT's own professor of Motor Industry Economics at Cardiff Business School, the figures may finally demonstrate that it is now time to abandon the annual new car registration prefix.

August accounts for about 25 per cent of total annual sales. July's market has been reduced to little over 2 per cent and, as early as late April, potential buyers are holding back, waiting for the new prefix. As the August bulge has grown, so it has left fewer sales for the final four months of the year.

The fear this year is that prolonged recession and July's gloomy statistics on rising unemployment and collapsing



Doubts registered: carmakers fear that the long-awaited revival in new car sales in August will prove elusive in spite of the arrival today of the new K-registration plates. Mr Ian McAllister, chairman of Ford of Britain, (above) forecasts new car sales of about 365,000 during this month, unchanged from last year's depressed level. "We could be looking at the third year of continuing decline," he said.

Photograph by Ashley Ashwood

confidence indicate that the August car sales bulge will not be big enough to take up the stock of cars that UK-based manufacturers have built.

According to Prof Rhys, there is already an excess stock of 40,000 new cars scattered around the countryside.

As recently as March, the industry expected sales this year to recover to 1.7m-1.75m units, up from last year's depressed 1.59m. Now, it fears there will be little or no improvement on last year.

The result is that the recent cut-price bazaar atmosphere in

car retailing may continue through the year to clear unsold stocks.

Some motor trade executives like Mr Reg Heath, chief executive of TKM, which controls one of the UK's largest retailing networks, believes this bazaar atmosphere may

last well into next year. Growing urgency to "move the metal" has prompted some innovative marketing schemes. They include Ford's "Options" package, under which a purchaser finances the net cost of a car's purchase price less its projected depreciation after two years. At the end of the period, he or she can opt to hand back the car and start a new agreement, or pay the rest of the purchase price. Ford, which is struggling to reverse a market share slide from about 30 per cent in the 1980s to the low 20 per cents now, hopes most people will opt for another new car.

Vauxhall has already hit back with a similar scheme, called "Choices", with the added lure of a £300 bonus for any new Nova, Cavalier, Carlton, Senator or Calibra registered up to August 31.

In spite of having spent about £50m promoting and advertising such schemes in July alone, the industry fears that this August sales will not exceed last August's 370,000 and will be far short of the record 530,000 achieved of August 1989.

According to Mr Heath of TKM, both the trade and the industry have no option but to tighten their belts, keep overheads tight and sit it out for a recovery - which, he notes in an ironic reference to government forecasts, "doesn't look like coming now until the 1/10th quarter of 1992".

Like Prof Rhys and Mr Neil Marshall, economist at the Retail Motor Industry Federation, he is stuck for suggestions on how the government might restore consumer confidence, short of sharp interest rate cuts and sterling's realignment within ERM, with all the attendant risks.

The infuriating thing, says Mr Marshall, is that "we know there is plenty of money about and that the savings ratio is exceptionally high. What we have is a psychological problem. It's deeply disturbing for us and, with most economic indicators pointing in the wrong direction, we simply don't know when it's going to go away."

For those with the cash and the courage, however, there is one old motor trade "come-on" which has never been more true: there has never been a better time to buy a car.

Councils expect poll tax arrears to last until 2000

By Allison Smith

ONE IN 12 local authorities expects to be collecting poll tax arrears into the year 2000, even though the tax will be replaced by the property-based council tax next April.

Two out of five councils believe that the poll tax backlog will affect implementation of the council tax either extensively or moderately. The findings come in a previously unpublished study commissioned by the government from CSL management consultants and leaked to Mr Jack Straw, shadow local-government minister.

The work was commissioned to help ensure the spread of

good practice among councils in an effort to reduce the backlog before the first year of the new tax.

The Department of the Environment agreed yesterday with Mr Straw's assessment that more than £1bn was uncollected from the first two years of the poll tax.

"The poll tax fiasco lives on and is likely significantly to upset the implementation of the council tax," Mr Straw said yesterday. "The country has already paid too dearly for the mess of the poll tax: it looks as though the council tax will replace one fiasco with another."

As councils prepare for introduction of the council tax,

some Environment Department officials believe that the average bill for a household in a band D home (worth £88,000-£98,000 in April this year) might be more than £300.

The department is clear that it is not committed to the estimate made last year by Mr Michael Heseltine, when environment secretary, of the average bill for such a household in 1991-92 being £340.

Instead, ministers will rely on the tough regime for "capping" - putting a ceiling on local government spending - to prevent bills from rising too steeply, and use a transitional relief scheme to cut the number of households that lose extensively.

Delay over Maxwell ruling

By Raymond Hughes,
Law Courts Correspondent

A HIGH COURT judge has deferred until September his ruling on an application by the liquidators of Bishopsgate Investment Management for immediate judgment in their £406.8m damages action against Mr Ian Maxwell, a son of Robert Maxwell.

The liquidators, partners in Robson Rhodes, have argued that Mr Maxwell has no defence to their allegations that he breached his fiduciary duty as a director of BIM, from which hundreds of millions of pounds of Maxwell companies' pension funds disappeared.

The hearing, originally expected to take two days, lasted 5½ hours because of Mr Maxwell's opposition to the liquidators' claim that the case should not go to a full trial.

On July 20 the liquidators were given final judgment in their identical action against Mr Maxwell's brother Kevin, who was ordered to make interim payments totalling £406.8m pending assessment of his final liability. He said afterwards that he had not defended the action because of lack of money.

The liquidators have since started bankruptcy proceedings due to come before the bankruptcy court on August 17. They have said they will take a similar step against Mr Ian Maxwell if they succeed in winning final judgment against him.

Doctors criticised over drug prescribing methods

By Paul Abraham

BRITISH doctors prescribe fewer, older and cheaper drugs than their Continental counterparts, but their prescribing practice is not cost-effective, according to the Association of the British Pharmaceutical Industry.

"The UK is not using new medicines wisely," Dr John Griffin, association director, said. "British doctors are using old, slightly more dangerous and certainly less effective products, which are more expensive in the long term."

In 1990, the UK pharmaceutical market, including over-the-counter non-prescription drugs, was £cu4.74bn (£3.4bn).

That compared with £cu10.1bn in Germany, and £cu8.9bn in France.

UK patients received more than 480m prescriptions last year, up 24m on 1990. They cost the National Health Service £3.1bn, representing 9.7 per cent of its total expenditure. Per capita expenditure on prescription drugs in the UK is nearly half that in France and Italy, Dr Griffin said. UK per capita expenditure on prescription drugs in 1990 was only £55. That compared with £105 in Italy, £102 in France, £85 in Germany and £82 in Sweden.

British GPs prescribe fewer drugs than many of their Continental counterparts. Prescriptions per capita in the UK averaged only 7.6 in 1989, compared with 9.8 in France, 20 in Italy and 12 in Germany. Danish, Swedish and Dutch doctors signed fewer prescriptions per capita.

Drugs prescribed by UK doctors also tend to be old, he said. In Italy, Japan, the US and Canada, more than 20 per cent of drugs prescribed have been introduced in the past five years. In the UK, the figure is 9.3 per cent.

Dr Griffin blamed government measures for making doctors more cost-conscious. He argued that by prescribing less effective medicines, doctors were raising overall costs because of increased hospitalisation.

Judge rules on BCCI papers

By Raymond Hughes

A HIGH COURT judge yesterday refused to make an immediate order that the Serious Fraud Office disclose to the liquidators of the collapsed Bank of Credit and Commerce International documents seized from three former officers of the bank and a broker through which many of its treasury transactions took place.

The documents were obtained from the homes of Mr Agba Abedi and Mr Swaleh Naqvi from a safe deposit box in the name of Mr Zafar Iqbal, and from the offices of Capcom Financial Services.

Sir Donald Nicholls, the vice-chancellor - the senior Chancery judge - said that none of the four had been notified of the liquidators' application for production of the documents. He said that those from whom documents had been seized were in general entitled to an opportunity to present to the court any objection they might have to the production of the documents.

Capcom should be asked its attitude to disclosure and more information was needed about the circumstances of the three individuals and the practicability of notifying them before he could decide whether notice

to them should be dispensed with.

The liquidators, partners in Touche Ross, were granted an order for disclosure by the SFO of other documents obtained under compulsory powers from Price Waterhouse, former auditors of BCCI, and from Control Securities, a company formerly controlled by Mr Nazimuddin Virani, other companies in the Control group, and from Mr Virani himself. The judge rejected the SFO's contention that it could voluntarily disclose to liquidators or administrators documents it had obtained under its compulsory powers.

Complex reopens after bombing

THE MAIN shopping centre at Milton Keynes was reopened in stages yesterday after more than 100 police and bomb disposal officers had worked through the night to deal with firebombs. John Thornhill writes.

Two of the bombs exploded in Habitat and BHS, causing only localised damage. Five others were defused and one was left off under controlled conditions.

The police condemned the attack as "horrific and callous" and called in the anti-terrorist branch. No one has yet claimed responsibility.

There have been similar incidents in recent months at shopping centres in Gateshead, Tyne and Wear, and Brent Cross, north London.

The IRA admitted responsibility for the attacks at the Gateshead MetroCentre in May and Brent Cross last December, saying that it wanted to increase the "economic cost of disruption".

Company to buy village

TEXACO, the multinational petrochemicals company, has offered to buy a village after complaints from local residents about the drawbacks of living next to a refinery.

The proposal, which may cost the company up to £2.5m to find new homes, has delighted the 100 residents of Rhoscrowther, Dyfed, which lies close to the company's refinery near Pembroke Dock. A campaign was launched by the villagers against Texaco six months ago after a small explosion led to fears that the village could be destroyed if there was a catastrophe.

In spite of a report from the Health and Safety Executive that there was no long-term danger, the villagers continued to press for a move.

Texaco said yesterday that as part of a "good neighbour" policy it was offering to buy all the homes in Rhoscrowther and to pay all moving and legal expenses.

Study of 'M25 effect'

ROAD EXPERTS working for the Transport Department are to investigate the claim that building new roads creates traffic growth that would not otherwise take place: the so-called M25 effect.

The idea gained credence when traffic growth on the M25 London orbital motorway, completed six years ago, far exceeded forecast levels.

Opponents of the roadbuilding programme say the history of the M25 is evidence that government forecasts of road traffic growth are a self-fulfilling prophecy because the Transport Department uses them to justify building new roads.

The investigation is being carried out by the Standing Advisory Committee on Trunk Road Assessment (Sactra), an independent advisory committee. The department said yesterday the committee would study drivers' responses to road construction or improvement schemes.

King's Cross plan advances

THE LONG planning battle over a £35m scheme to redevelop land beside London's King's Cross Station has moved a step nearer resolution after a decision by planning officials to give conditional approval.

Next Thursday, Camden Council is expected to confirm the decision taken by its planning committee three days ago. Mr Phil Turner, joint deputy leader of the council, said the move was "good for Camden and the people of this borough because it is a further step along the road to bringing this huge area into use".

The London Regeneration Consortium, which has been pursuing planning consent for four years, welcomed the decision. Mr Gordon Graham, a consultant to the consortium, said: "We do not see any reason why in another six months or so we will not get an outline planning consent."

The consortium comprises Rosehaugh and Stanhope, two developers that have been badly affected by the property recession, and NRC, the freight company. To win approval, the developers have been required to reduce the proposed office space in the scheme by 615,000 sq ft to 5.5m sq ft.

Development will not be possible until London office rents recover significantly. Mr Graham said he did not expect the scheme to start before 1995-96.

University research cost plea

By Clive Cookson,
Science Editor

UNIVERSITIES MUST charge companies, government departments and charities the full costs of the research they sponsor, the government's Advisory Council on Science and Technology said in a report yesterday.

Acost also called on the government to increase funding for academic science at more than the rate of inflation, but said universities should be more selective in the range of research they carry out.

Sir Robin Nicholson, Acost chairman, said: "The failure of

universities to identify and recover the full costs of research sponsored by external agencies has added to the financial pressures."

Acost recommends the government not only to increase the research councils' budget but also to give universities additional funds to underpin the infrastructure for research. Institutions "should ensure that the additional funds are used to improve the support given to existing staff and facilities, rather than to employ more researchers, and are allocated on the basis of the quality of the research undertaken."

The research pressure group Save British Science welcomed the Acost recommendations for full cost recovery and more government funding. It rejected the call for greater selectivity, which it called "a recipe for withdrawal from more areas of science, which risks slowing rather than stimulating contacts with industry."

The Office of Science and Technology said it would reply to the Acost report in due course. "Meanwhile the government recognises the importance of full cost recovery." The Science Base - Research in Universities. HMSO. £25.

Complex reopens after bombing

THE MAIN shopping centre in London's Covent Garden area reopened yesterday after more than 100 police officers and bomb disposal experts worked through the night to deal with the aftermath of a bombing. John Thornhill, a police spokesman, said the centre was expected to be fully open by 10am. The bombing, which occurred at 11.30pm on Sunday, caused damage to the main entrance and the adjacent building. The police are still investigating the cause of the explosion.

Company to buy village

TECHACO, the international telecommunications company, has offered to buy a village after complaints from local residents about the drawbacks of living near a refinery. The proposal, which may see the company buy up to 100 homes, has been met with mixed reactions. Some residents are concerned about the impact of the refinery, while others are happy to see the village being bought. The company has offered to build new homes and improve the local infrastructure.

Study of 'M25 effect'

ROAD EXPERTS working for the Transport Department are investigating the claim that building new roads around the M25 motorway will have a negative effect on the economy. The study, which is part of a larger project, aims to assess the impact of the M25 on the surrounding areas. The experts are looking at factors such as traffic volume, travel time, and the cost of road construction.

King's Cross plan advances

THE LONG planning battle over a £100m scheme to regenerate King's Cross Station and the surrounding area has moved a step nearer to a decision. The plan, which was approved by the local council, involves the construction of new housing, offices, and public spaces. The scheme is expected to create thousands of jobs and improve the local environment. The planning process has been long and complex, but the final decision has been reached.

Another traveller on an old road to ruin

After the Land Travel collapse, Michael Skapinker examines cost and credibility issues in the tour industry

As police and liquidators sift through the records of the Land Travel coach company, which collapsed last week, one thing is clear: it will happen again. If not this summer or autumn, then next year or the year after.

As long ago as 1871, the British newspaper, *The Graphic*, observing the beginnings of package tourism, prophesied: "A time will come when vast numbers of the population will be carried enormous distances for ridiculous sums."

Today, the British buy 20m foreign holidays every year, many for sums so ridiculous that the companies offering them go out of business. The system that delivers this service is inherently unstable, making periodic collapse inevitable. The cost of setting up as a tour operator is low and the temptation to cut prices is ever-present. The effects of war, epidemics and hurricanes drive some out of business. Fraud and foolishness account for some others.

Systems could be devised to ensure that travellers and would-be tourists do not lose their money, as an estimated 50,000 Land Travel customers have done. Even under Mr Michael Heseltine, however, the Department of Trade and Industry is too averse to intervention to license all tour operators and ensure they are properly monitored. Land Travel was not a member of the Association of British Travel Agents (Abta) or of any other organisation offering a money-back guarantee. The government says it will make it compulsory for companies like Land Travel to arrange guarantees for their customers in future. Companies taking customers by road and ferry will be able to subscribe to a reserve fund, along the lines of the existing fund for air passengers.

But belonging to the surface travel reserve fund will not be compulsory. Companies that remain outside the fund will have their customer guarantees monitored by trading standards officers rather than experienced travel organisations. The collapse of Land Travel has highlighted the need for better regulation in the tour industry. Customers and agents face pitfalls, and the industry needs to take steps to prevent such collapses in the future.

Those who remain in the travel business face collapse almost as much as those who fall victim to them. The travel business is concerned with management of two things: cash and confidence. Without confidence in the travel business or in a particular company and the cash will disappear, not only because the customers will no longer provide it, but because previously indulgent hoteliers, airlines and coach operators will come knocking at the door, demanding payment earlier than previously envisaged.

A travel company on the point of collapse exhibits certain characteristics, which many in the business recognised in Land Travel. In its last two months, it appeared to be taking in customers' payments with the sole objective of paying off immediate debts.

Mr Noel Josephides, a director of the operator Sunvil Holidays and chairman of the Association of Independent Tour Operators, says: "They were selling for £59 a tour that was probably costing them twice that. They were getting cash to pay debts they already owed." Land Travel's reputation was not high even before the troubles of recent months. Coach and Bus Week, a trade publication, began reporting in 1990 on the company's tendency to pay suppliers late. Land Travel's brochures were adjudged to contain substantial inaccuracies. That is not unique to Land Travel. A report in *Holiday Which?* magazine earlier this year criticised the brochures of the UK's three biggest travel companies - Thomson, Owners' Abroad and Air Tours. A common deficiency was an inability to gauge accurately the distance between hotels, beaches and shops.

Complaints to the Advertising Standards Authority (ASA) about Land Travel, however, disclosed an inventiveness remarkable even by the standards of the holiday industry. One traveller complained that a tour of central and eastern Europe was to have included optional excursions to Prague and Krakow, but that those had not been available. Liquidators Grant Thornton are still not sure what precipitated the final crisis at Land Travel. What is clear, however, is that, as rumours of trouble spread, they became, to some extent, self-fulfilling. P&O European Ferries demanded that Land Travel pay it in advance. When it became clear that the company did not have the money, P&O refused to take any more bookings.

The likelihood of further Land Travels has increased rather than decreased in recent years as a result of changes in booking patterns and traveller preferences. One of the attractions of the business has always been the favourable cashflow. Customers generally pay for their holidays before the operator has to pay for airline seats and accommodation. Travel has traditionally been a good field for an under-capitalised entrepreneur. Mr Peter Rothwell, marketing director of Lunn Poly, the UK's largest chain of travel agents, points out that all a new tour operator needs is a computer reservation system and some telephones. If the operator can get a charter airline or coach company to allocate him some seats and can find the customers to fill them, he is in business. As long as the customers keep booking, the business can carry on growing.



Valere Tjolle, chairman of collapsed tour operator Land Travel (above), and victims of an earlier company failure

Land Travel, the ASA said, "stated that the hotel location had been found to be too far for the excursion to Prague and that it had not been possible to arrange visas in time to offer the excursion to Krakow". Land Travel did not own any coaches, relying instead on outside contractors. In spite of the company's reputation for late payment, coach companies continued to work for it.

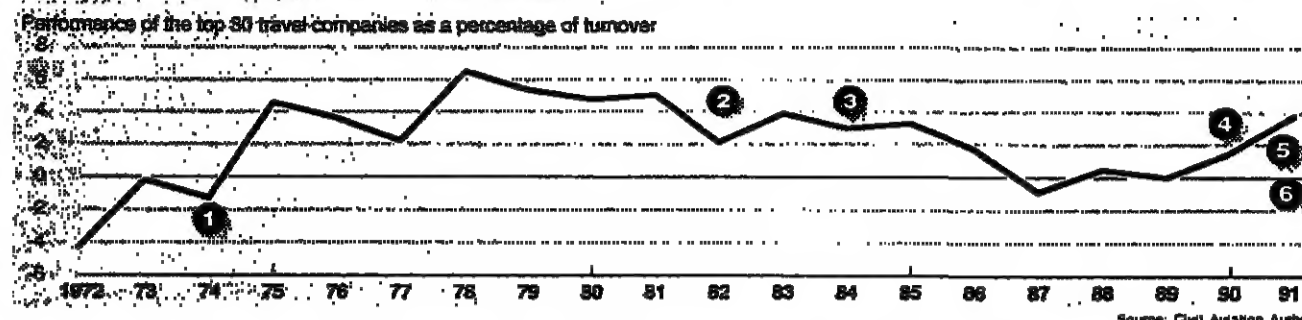
Coach operators who worked for Land Travel are reluctant to admit that they lost money but asked for their names not to be mentioned. One who agreed to talk was Mr Keith Davies, a partner in Pat's Coaches of Wrexham. "We worked for them for two months," he said. "Their reputation preceded them in the industry. A lot of people didn't trust them. We told them we wanted cash up-front, paid for 10 days. A lot of other operators were working on the basis of 30 days or 45 days. Two of our coaches were out at the time [of the collapse]. Three of their coaches bounced."

Liquidators Grant Thornton are still not sure what precipitated the final crisis at Land Travel. What is clear, however, is that, as rumours of trouble spread, they became, to some extent, self-fulfilling. P&O European Ferries demanded that Land Travel pay it in advance. When it became clear that the company did not have the money, P&O refused to take any more bookings. The likelihood of further Land Travels has increased rather than decreased in recent years as a result of changes in booking patterns and traveller preferences. One of the attractions of the business has always been the favourable cashflow. Customers generally pay for their holidays before the operator has to pay for airline seats and accommodation. Travel has traditionally been a good field for an under-capitalised entrepreneur.

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Tour industry's bumpy ride to profitability



Earlier travel collapses: (1) Court Line, August 1974 (2) Laker, February 1982 (3) Budget Holidays, October 1984 (4) Exchange Travel, September 1990 (5) Sun Living, February 1991 (6) International Leisure Group, March 1991

can carry on growing. The period between customers paying and suppliers demanding payment meant new companies could earn healthy amounts of interest. Over the past decade, that opportunity has diminished as customers have begun to book later, waiting for discounts. Ten years ago, a third of all package holidays for the following year were sold by Christmas. The proportion has now dropped to less than a quarter. British holidaymakers also show a growing preference for self-catering accommodation rather than hotels. Tour operators generally pay for hotel beds only if used. Self-catering accommodation usually has to be paid for whether used or not. Mr Rothwell believes that efforts to protect the holidaymaker could, in fact, make operator failure more likely. Companies that belong to the reserve fund will know their customers are fully protected, he says, and that might encourage them to take even bigger business risks. The new trust fund, he adds, "could just be a bigger pot for people to go bust in".

Customers and agents face pitfalls

INTERTOURS, the London-based travel agency, this year became one of the few outsiders prosecuted successfully under UK consumer protection law. Catherine Milton writes. The Abta-registered company was fined after several complaints to Westminster Council that prices charged were higher than those advertised. In June, magistrates ordered Mr Christopher Rogers, director of Intertours, to pay £3,000 in compensation and costs for a variety of offences under consumer protection law.

One trip to Delhi was quoted at £425, but the client was asked to pay £485. At a London magistrates court, Mr Panayiotou pleaded guilty to all charges. Mr Chris Rogers, chief trading standards officer at Westminster Council, said: "This is a typical complaint and very often we do not get sufficient evidence to build a case. This is fine from the point of view of criminal proceedings, but it does not help people who just wanted their money back in the first place." Mr Panayiotou refused to discuss the details of his prosecution, but said: "We did not intentionally charge anyone more than the advertised price." He said the court case arose out of a "complete misunderstanding" last year. The prosecution involved 1.5 per cent of his 12,000 customers last year. "We have gone through turbulence but Intertours is now a smooth, clean operation."

HUNDREDS of people were caught out by what appears to be a loophole in UK regulations when they booked a holiday with Air Tours. The company, which was founded by its UK-based subsidiary, Ireland Air Tours, in June, Catherine Milton writes. They booked tickets to Reykjavik believing their money was protected under the Civil Aviation Authority's Air Travel Organisers Licence (Atol) system, which guarantees refunds to clients when travel companies go bust. Although IAT did not have a licence, clients believed it had agreed to pay another company to share its licence. That kind of arrangement is proper and fairly common. However, no such contract had been signed.

IAT probably did not need a CAA licence to trade under UK regulations. The licence is necessary only for companies that sell charter packages (including accommodation). Iceland Air, the state airline, put together a rescue package to help those stranded overseas when the companies collapsed. However, hundreds of people who had booked holidays for July, August and September were still left out of pocket. The CAA said the situation was confused. All IAT personnel have returned to Reykjavik and the telephone number for Air Tours Reykjavik is no longer in use.

BOOKING a cheap flight on a reputable airline is no guarantee of fair treatment, as some bucket shop customers have found to their cost, Tim Lawrence writes. Ms Sue Freeman, for example, understood the risks involved in booking a package holiday with a bucket shop. But she did not know that booking a flight could be equally fraught. In mid June Ms Freeman, a journalist, booked an American Airlines flight to Boston on July 30 for £379 with Lifestyle Travel, a bucket shop on Tottenham Court Road in central London. She eventually caught the flight, but only after an ordeal of claims and counterclaims, she says. Ms Freeman paid for the ticket and was told it would arrive within 10 days. When no ticket arrived, she embarked on a daily merry-go-round of increasingly heated telephone calls to Mr Frank Deluca, owner of Lifestyle Travel.

Three days before the flight she was told that the flight was overbooked and Mr Deluca blamed an agent acting for American Airlines, for overbooking the flight. Lifestyle Travel offered her a much longer flight to Boston via Chicago. The agent claims it sent two reminders to Lifestyle Travel before the reservation expired on June 26. By the time Lifestyle Travel's cheque arrived on June 30, the flight was full. Eventually American Airlines resolved the difficulty by making space for Ms Freeman on the original Boston flight - although not in Club Class.

revised proposals would lead to "unnecessary blight and distort the property market". They would create added uncertainty in the property industry and deter investors and developers from regenerating inner cities. Mr Sean Humber of Friends of the Earth, the environmental lobby group, said the revised proposals excluded most of an estimated 100,000 contaminated sites.

More jobs would be lost unless efforts were made to stimulate the economy, Mr Roberts said. "Very few recoveries start without government pushing some button to start it." He appealed to the government to use its presidency of the European Community to make a concerted effort with other EC members to realign currencies and bring down interest rates over the next six months. The Federation of Civil Engineers said Britain should try to agree on realignment even if

Storm over contaminated-land register

By Vanessa Houlder, Property Correspondent

REVISED proposals for a contaminated-land register, issued yesterday, have provoked strong criticism from both sides of the environmental debate. Environmental activists accused the government of retreating from its commitment to identify contaminated land. The property industry said the changes were cosmetic and would depress land values and increase urban blight. The new consultation paper from the Department of the Environment is less stringent than its previous proposals. The new proposals would reduce the amount of land placed on a public register to between 10 per cent and 15 per cent of that included under the former proposals. Mr David Maclean, minister for the environment and countryside, said the new regulations placed the emphasis on the most contaminating uses.

The consultation paper proposed a two-tier system to distinguish between land that has not been investigated or treated from land where the contamination has been assessed. Mr Christopher Jones, president of the Royal Institution of Chartered Surveyors, said the

revised proposals would lead to "unnecessary blight and distort the property market". They would create added uncertainty in the property industry and deter investors and developers from regenerating inner cities. Mr Sean Humber of Friends of the Earth, the environmental lobby group, said the revised proposals excluded most of an estimated 100,000 contaminated sites.

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Builders demand currency realignment

By Andrew Taylor, Construction Correspondent

LEADERS OF Britain's depressed construction industry yesterday made one of the strongest appeals to the government to change its economic policy and seek a realignment of currencies within the European exchange rate mechanism. The appeal accompanied a forecast that the recession in the industry, already severe, would be deeper and longer than previously expected. The National Council of

Building Material Producers, representing more than 2,000 companies with a combined annual turnover of £20bn, said UK construction output was likely to fall 8 per cent this year and a further 2.5 per cent next year. Last year it fell 2.9 per cent. Mr Peter Roberts, director responsible for building products at the BDI metals group and chairman of the council's forecasting panel, said: "Conditions, particularly in the private housing market, have deteriorated since the [April general] election."

More jobs would be lost unless efforts were made to stimulate the economy, Mr Roberts said. "Very few recoveries start without government pushing some button to start it." He appealed to the government to use its presidency of the European Community to make a concerted effort with other EC members to realign currencies and bring down interest rates over the next six months. The Federation of Civil Engineers said Britain should try to agree on realignment even if

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Gambling on the price of a ticket

By Tim Lawrence

BUYING from an air ticket bucket shop is like trading on the futures market, according to Mr Chris Rogers, chief trading standards officer at Westminster City Council. The risk is high, but if you take the necessary precautions the financial benefit can be great.

There is no need to buy from non-bonded bucket shops, said Ms Kim Winter, a project officer at the Consumers' Association magazine *Holiday Which?* "There are enough fully bonded specialist operators, such as Trailfinders and STA Travel, for people not to risk anything outside," she said. People dealing with unbonded bucket shops risk losing their money or being stranded if the tour operator, travel agent or airline collapses.

According to *Holiday Which?*, the best protection is to pay by credit card, making out the voucher to the airline, not the travel agent. If the flight or holiday falls through, the Consumer Credit Act makes the credit card and the travel company jointly liable. Mr Riaz Dooley, owner of Travel Bazaar, a non-bonded bucket shop in west London, said most scheduled flights required no insurance.

"The government of the national airline would be too embarrassed to leave passengers stranded if something went wrong," he said. Package holidays can be fully protected with a travel indemnity insurance costing between £5 and £10, Mr Dooley added. Bucket shops that advertise at one price and try to sell at another should be avoided. Clients, he said, should pay no more than a £50 deposit on flights and the full fare should be paid in exchange only for the ticket. Charter flights have to be paid for in advance, said Mr Dooley, and customers should get a receipt with the Air Travel Organisers Licence number, which will guarantee a refund.

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ECONOMIC DIARY

TODAY: Mr Jean-Marie Le Pen, a leader of the extreme right wing in France, kicks off anti-Maastricht campaign in Menton. Cowes week opens.

TOMORROW: Croatian parliamentary/presidential elections.

MONDAY: US NAPM (July); construction expenditures (June). General strike by congress of South African trade unions to press government to speed up democracy reforms. Mr Boris Yeltsin, Russian president, visits Bulgaria. Interim results from Abbey National.

TUESDAY: The Department of the Environment gives figures for housing starts and completions (June). HM Treasury announces UK official reserves (July). Four defence ministers (Britain, Spain, Germany and Italy) meet in Madrid to discuss European Fighter Aircraft. Strike threatened by BA unions. TI Group and National Westminster Bank publish interim figures.

WEDNESDAY: Central Statistical Office issues statistics for overseas travel and tourism (May) and cyclical indicators for the UK economy (July-first estimate). Department of Trade and Industry publishes advance energy statistics (June). The US Senate finance committee holds third and final hearing in Washington on the state of US trade policy and the merits of pending trade legislation. Racial Electronics annual meeting.

THURSDAY: The Department of Employment gives details of employment, unemployment, earnings, prices and other indicators. International conference on high energy physics with 1,400 prominent physicists from 68 countries meeting in Dallas (until August 12). Interim results from BOC Group, Barclays Bank, British Petroleum, Royal Dutch Petroleum and Shell Transport & Trading.

FRIDAY: Central Statistical Office issues balance of payments advance annual estimates (1991). Insolvency statistics (second quarter) from the Association of British Chambers of Commerce.

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EQUITY GROUPS

Figures in parentheses show number of stocks per section

Friday July 31 1992

Highs and Lows Index

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High Low

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High Low

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High Low

1992

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LIFFE EQUITY OPTIONS

Options on the FTSE 100 Index

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- Over 3,500 share prices
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- A wide range of financial reports
- A confidential portfolio facility

LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information Service. Unless otherwise indicated prices are in pence. The prices are those at which the business was done at the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tailsman system. They are not in order of execution but in ascending order which denotes the day's highest and lowest dealings. For listed securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date. Rule 55(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd. * Bargains at special prices. † Bargains done the previous day.

British Funds, etc

British Funds, etc
Treasury 15% 1992-2002 - £128.5
22.12% (20/02/92)
Guaranteed Short Finance Corp PLC 11%
1992-2002 - £128.5 (20/02/92)

Corporation and County Stocks

Corporation and County Stocks
Birmingham Corp 5% 1994 (or when) - £128.5 (20/02/92)
Macclesfield Corp 5% 1994 (or when) - £128.5 (20/02/92)
Northampton Corp 5% 1994 (or when) - £128.5 (20/02/92)

UK Public Boards

UK Public Boards
Agricultural Mortgage Corp PLC 7% 1992-2002 - £128.5 (20/02/92)

Commonwealth-Government

Commonwealth-Government
Jersey Electricity Co Ltd 8% 2000 - £128.5 (20/02/92)

Foreign Stocks, Bonds, etc

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Greenwich 10% 1992-2002 - £128.5 (20/02/92)

Admiral PLC 10% 1992-2002 - £128.5 (20/02/92)
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Sterling Issues by Overseas Borrowers

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Listed Companies (excluding Investment Trusts)

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FT-SE 2,400 mark abandoned again

By Terry Byland
UK Stock Market Editor

NERVOUSNESS in the sterling foreign exchange markets, which also inspired falls in UK government bonds, took the heart out of UK equities yesterday. The FTSE 100 index finally lost a struggle to remain at the 2,400 mark which had been abandoned early in the session.

The focus on sterling's performance came in the wake of calls for a realignment of the European exchange rate mechanism from the boardrooms of Midland Bank and ICI. City analysts continued to take a cautious view of this week's improvement in equities which appeared to be a technical bounce in an oversold equity market rather than a definitive

| Account Opening Dates | | | |
|-----------------------|--------|--------|--------|
| First Opening | Jul 27 | Aug 10 | Aug 24 |
| Order Deadline | Jul 28 | Aug 11 | Aug 25 |
| Settlement | Aug 2 | Aug 13 | Aug 27 |
| Account Day | Aug 17 | Aug 31 | Sep 14 |

turn for the better.

A stock market looking desperately to the corporate sector for evidence of economic improvement reacted negatively to the half-time trading report from Lloyds Bank. Shares in Lloyds Bank, which have been seen as one of the most attractive in the sector, fell sharply on the disclosure that the core UK retail banking side continues to suffer.

After edging briefly higher, the market dipped sharply as sterling weakened against the D-Mark. At the day's low point, the Footsie touched 2,398.8 and although an attempt was made to rally, helped by the pound, this soon fizzled out as Wall Street made a dull start to the new trading session.

The final reading put the FTSE 100 at 2,398.8 for a net loss of 12 points on the session. This week, the opening leg of the two week equity trading account, has seen the London stock market recover by 22.4 points on the Footsie scale, or just under 1 per cent.

UK equities have been helped this week by improvement in both Tokyo and New York. On the domestic front, however, economic views have

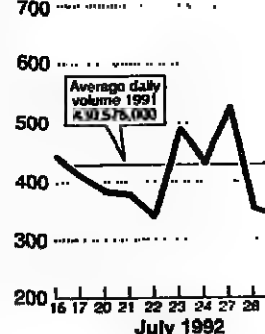
remained gloomy.

Mr Nicholas Knight of Nomura Research Institute, rejecting market hints that he had shifted his stance, yesterday reiterated his year-end target of Footsie 2,500, with Footsie 2,300 the target for "becoming more interested again" in the short term. He expects the current equity rally to implode. The strategy team at Strauss Turnhill believes that the market will be doing well to stay above Footsie 2,400. However, S.G. Warburg Securities comments that the reported demise of the equity market appears to be somewhat exaggerated and that, for those taking a view beyond the next quarter or so, "equities are looking outstandingly cheap."

● Retail business in equities has shown welcome signs of recovery from depressed levels. However, investment uncertainty has been reflected in turnover volatility.

London SE volume

Turnover by volume (million)



FINANCIAL TIMES STOCK INDICES

| | July 1 | July 2 | July 3 | July 4 | July 5 | July 6 | July 7 | Year Ago | High | Low | Since Compilation |
|---------------------|---------|---------|---------|---------|---------|---------|---------|----------|---------|---------|-------------------|
| Government Bonds | 88.31 | 88.68 | 88.00 | 89.12 | 88.17 | 85.33 | 85.33 | 85.33 | 85.33 | 85.33 | 49.18 |
| Fixed Interest | 105.14 | 105.40 | 105.17 | 105.83 | 105.84 | 93.89 | 93.89 | 93.89 | 93.89 | 93.89 | 50.63 |
| Ordinary Shares | 1803.8 | 1805.9 | 1805.1 | 1785.8 | 1767.0 | 2014.6 | 2149.7 | 1767.0 | 1767.0 | 1767.0 | 49.4 |
| Gold Mines | 90.9 | 91.0 | 93.0 | 91.5 | 90.6 | 180.7 | 160.6 | 83.6 | 734.7 | 43.5 | 266.8 |
| FT-SE 100 Share | 2399.6 | 2411.6 | 2422.2 | 2373.4 | 2348.0 | 2601.7 | 2373.4 | 2348.0 | 2348.0 | 2348.0 | 866.9 |
| FT-SE Euroshare 200 | 1101.07 | 1106.13 | 1112.56 | 1090.65 | 1087.01 | 1178.49 | 1087.01 | 1087.01 | 1087.01 | 1087.01 | 539.62 |

| GILT EDGED ACTIVITY | | | |
|---------------------|---------|---------|--|
| Indices* | July 30 | July 29 | |
| Gilt Edged | 82.0 | 81.4 | |
| 6-Month Average | 84.7 | 95.5 | |

Lloyds weak on interim

FOLLOWING the interim trading report, Lloyds Bank slipped 28 to 40p. Operating profits for the half year fell to £677m from £729m and chief executive Mr Brian Pittman said trading conditions are likely to remain tough, with little economic recovery in sight. He added that "with continuing high real interest rates and slack loan demand we shall continue our efforts to enhance customer service, reduce costs and improve the quality of our loan portfolio."

Turnover was at least double the usual daily level at 5.8m shares.

Provision for bad and doubtful debts, excluding problem countries, declined to £402m from £428m in the first half of last year, while an improvement in the outlook for problem country debt meant there was a net release of these provisions of £72m.

The bank's first half profits rose by 23%, or 11 per cent to £369m, but retail banking profit in the UK was only £11m against £26m. Operating expenses were lower, due largely to a reduction in the number of employees, but positive factors were offset by a fall in net interest income.

back to 45p before recovering to 51p, a net fall of 3 on the day.

Press reports that a recent warehouse fire may have pollution repercussions for Allied Colloids sent the shares down 8 to 16p. Sentiment was not improved as Hoare Govett reiterated its sell stance on the stock.

The resignation of a director at Laporte sent the shares into a sharp decline before a late rally. They closed at 52p after touching 50p, a net 10 up.

Following ICI's demerger plans, Fisons continued to attract interest on speculation that it could be in line for a takeover by one of the new ICI segments. Fisons shares rose 6 to 178p. After Thursday's huge jump, ICI retreated 8 to 116p.

Property group MEPC jumped 10 to 236p in turnover of 5.9m - its highest volume for nearly three years - as some in the market felt that the downgrades and negative sentiment in the sector had been overdone.

Hotel group Forte was the best performer in the leisure sector as talk that new non-executive directors might be appointed soon and that they would bring substantial weight to a board long criticised by analysts for lacking fresh blood. There were also suggestions that Forte had been legitimately buying its own stock over the last couple of days,

although Forte was later said to have denied this. The shares jumped 7 to 157p in brisk turnover of 4.6m.

Forte was also reported gleeful that its Gardner Merchant subsidiary had won a substantial contract from its arch rival Compass Group. Shares in the latter slipped 2 to 40p. However, Ms Sarah Clements at Paribas, moving to a strong buy stance, said that Compass was a good defensive stock and that the shares had an upside potential of 530p in the short term.

A proposed management reorganisation at TI Group was well received and the shares put on 4 to 308p. Conglomerate Harrison and Crossfield was subject to adverse comment and a bout of profit-taking following results on Thursday. The shares slid 7 to 177p.

News of improved holiday bookings lifted sentiment in photograph processing group London International, with both Hoare Govett and Lehman Brothers positive. The shares jumped 18 to 186p.

A series of reviews of the media sector by UK brokerage houses inspired activity in several of the leading names. However, the global business communications network, extended its recovery from the fall of around 13 per cent since the interim trading statement, gaining 34 to 104p. Investment

optimism was encouraged by yesterday's announcement that two of Chicago's largest futures contracts will be listed for trading on Reuters' Globex system from this weekend.

Reuters shares have been obvious beneficiaries of this week's recovery on Wall Street but London buyers were in evidence yesterday following a recommendation from Hoare Govett which described the stock as "undervalued."

But publishing stocks continued to suffer from their association with the fall in advertising revenues. Reed International, with 40 per cent of revenue taken in the form of advertising, lost 10 to 483p, although it was identified by S.G. Warburg Securities as "poised for early recovery and equally resilient if it arrives at glacial speed."

Unilever was unchanged at 942p despite hopes of higher interim profits on August 7. Analysts are looking for a rise to 982p-988p from 940m previously. Hot European weather in May and early June is expected to have boosted ice cream sales, in which Unilever is the leading producer.

Shares in jewellery chain Hatfield were unchanged at 8p after the company said it plans to publish its delayed accounts "as soon as practicable." Accounts for the year-end to February 1 were due to be issued by August 1, but has notified the Stock Exchange of the delay. The group said it is at an advanced stage in finalising negotiations with its lenders to continue existing facilities.

British Gas lost 6p to 240p, ahead of an announcement by Ofgas, the industry watchdog, that it will make a monopoly reference on the gas transportation industry. BP slipped 2 to 212p on rumours of a broker downgrade, but Shell improved 5 to 471p as its US arm turned last year's second quarter loss of \$68m into a profit of \$183m.

Troubled exploration group Lamsco gained a penny to 132p, but County West said the company is not yet out of the woods, despite this week's news of a maintained interim dividend. Profits will remain under pressure, while there are two more years of rising debt and gearing, according to County.

Banks had a generally weaker tone, in sympathy with Lloyds. Barclays fell 5 to 314p and National Westminster gave up 8 to 317p, but HSBC gained 3p to 339p in positive reaction to this week's interim figures from its Midland Bank subsidiary.

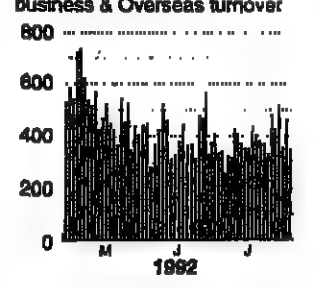
There was little relief for holiday park operator Euro Disney, amid gloom over poor attendance figures and losses. The shares rounded off a bad week in the market shedding a further 33 to 875p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



TRADING VOLUME IN MAJOR STOCKS

| Volume | Value | Volume | Value | Volume | Value | Volume | Value |
|------------------------|-------|--------|-------|--------|-------|--------|-------|
| ASIA Group | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of America | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of England | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of France | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Germany | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Italy | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Japan | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Korea | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Mexico | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Netherlands | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Norway | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Portugal | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Spain | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Sweden | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Switzerland | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Taiwan | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Thailand | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of United Kingdom | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of USA | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of West Germany | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Yugoslavia | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Zaire | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Bank of Zimbabwe | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAO system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

IT WAS a listless trading session in the derivatives markets yesterday, with traders taking their cue from the foreign exchange sector rather than from any links with underlying equity prices.

The September contract on the FT-SE Index struggled to hold on to its opening level of around 2,419 and, after briefly touching 2,426, went into a slow retreat. Local traders

were largely out of the market and the Footsie futures contract moved on sentiment. The dip in sterling, although recovered before the close, heightened tensions over the outlook for interest rates in the wake of comments this week from the president of the Bundesbank.

September closed at 2,414, 11 points down on the previous session and at a 4-point pre-

NEW HIGHS AND LOWS FOR 1992

Worries that Trafalgar House may be in danger of breaching some of its banking covenants persisted in the market yesterday, undermining the shares in heavy turnover of 5m.

Trafalgar's interests in shipping, property, hotels, engineering and construction have borne the brunt of the recession and anxiety about the group's debt position have emerged before. The company yesterday took the unusual step of issuing a statement saying it saw "no reason" for the share price fall.

Mr Zafar Khan at Strauss Turnhill said: "We have been concerned about the company's short-term liquidity, but have been assured by the company that it has no onerous covenants and that it has £700m of unutilised committed banking facilities."

Trafalgar shares, which stood at 160p at the beginning of May, yesterday tumbled

to 110p, a fall of 35p, after a sharp decline in the morning. The shares had a net loss of 12 points on the session. This week, the opening leg of the two week equity trading account, has seen the London stock market recover by 22.4 points on the Footsie scale, or just under 1 per cent.

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although Forte was later said to have denied this. The shares jumped 7 to 157p in brisk turnover of 4.6m.

Forte was also reported gleeful that its Gardner Merchant subsidiary had won a substantial contract from its arch rival Compass Group. Shares in the latter slipped 2 to 40p. However, Ms Sarah Clements at Paribas, moving to a strong buy stance, said that Compass was a good defensive stock and that the shares had an upside potential of 530p in the short term.

A proposed management reorganisation at TI Group was well received and the shares put on 4 to 308p. Conglomerate Harrison and Crossfield was subject to adverse comment and a bout of profit-taking following results on Thursday. The shares slid 7 to 177p.

News of improved holiday bookings lifted sentiment in photograph processing group London International, with both Hoare Govett and Lehman Brothers positive. The shares jumped 18 to 186p.

A series of reviews of the media sector by UK brokerage houses inspired activity in several of the leading names. However, the global business communications network, extended its recovery from the fall of around 13 per cent since the interim trading statement, gaining 34 to 104p. Investment

optimism was encouraged by yesterday's announcement that two of Chicago's largest futures contracts will be listed for trading on Reuters' Globex system from this weekend.

Reuters shares have been obvious beneficiaries of this week's recovery on Wall Street but London buyers were in evidence yesterday following a recommendation from Hoare Govett which described the stock as "undervalued."

But publishing stocks continued to suffer from their association with the fall in advertising revenues. Reed International, with 40 per cent of revenue taken in the form of advertising, lost 10 to 483p, although it was identified by S.G. Warburg Securities as "poised for early recovery and equally resilient if it arrives at glacial speed."

Unilever was unchanged at 942p despite hopes of higher interim profits on August 7. Analysts are looking for a rise to 982p-988p from 940m previously. Hot European weather in May and early June is expected to have boosted ice cream sales, in which Unilever is the leading producer.

Shares in jewellery chain Hatfield were unchanged at 8p after the company said it plans to publish its delayed accounts "as soon as practicable." Accounts for the year-end to February 1 were due to be issued by August 1, but has notified the Stock Exchange of the delay. The group said it is at an advanced stage in finalising negotiations with its lenders to continue existing facilities.

British Gas lost 6p to 240p, ahead of an announcement by Ofgas, the industry watchdog, that it will make a monopoly reference on the gas transportation industry. BP slipped 2 to 212p on rumours of a broker downgrade, but Shell improved 5 to 471p as its US arm turned last year's second quarter loss of \$68m into a profit of \$183m.

Troubled exploration group Lamsco gained a penny to 132p, but County West said the company is not yet out of the woods, despite this week's news of a maintained interim dividend. Profits will remain under pressure, while there are two more years of rising debt and gearing, according to County.

Banks had a generally weaker tone, in sympathy with Lloyds. Barclays fell 5 to 314p and National Westminster gave up 8 to 317p, but HSBC gained 3p to 339p in positive reaction to this week's interim figures from its Midland Bank subsidiary.

There was little relief for holiday park operator Euro Disney, amid gloom over poor attendance figures and losses. The shares rounded off a bad week in the market shedding a further 33 to 875p.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday July 31 1992

| | | | |
|-----------------------------|---------|------------------------|---------|
| Water | + 21.30 | Insurance (Life) | + 4.01 |
| Food Retailing | + 13.08 | Food Manufacturing | + 4.73 |
| Electronics | + 10.43 | Chemicals | + 4.83 |
| Metals | + 7.76 | Electricals | + 4.98 |
| Financials | + 7.47 | Financial Group | + 5.21 |
| Banking | + 7.13 | Transport | + 5.84 |
| Other Industrial Materials | + 6.92 | Conglomerates | + 6.26 |
| Textiles | + 6.81 | Metals & Metal Forming | + 6.51 |
| Media | + 6.80 | Investment Trusts | + 7.10 |
| Other Groups | + 6.46 | Hotels & Leisure | + 7.64 |
| Packaging, Paper & Printing | + 6.18 | Engineering-Aerospace | + 8.12 |
| Brewers & Distillers | + 6.00 | Business Services | + 8.12 |
| Stores | + 5.80 | Building Materials | + 11.29 |
| Capital Goods | + 5.78 | Health & Household | + 13.76 |
| Engineering-General | + 5.65 | Insurance (Composite) | + 15.46 |
| Oil & Gas | + 5.62 | Insurance (Life) | + 21.40 |
| Industrial Group | + 5.59 | Commodities | + 34.48 |
| Merchants Banks | + 5.58 | Property | + 24.94 |
| 800 Share Index | + 5.50 | Consumer Group | + 3.61 |
| All-Share Index | + 3.81 | | |

BENCHMARK GOVERNMENT BONDS

| Coupon | Rate | Price | Change | Yield | Week Ago | Month Ago |
|-------------------|--------|---------|---------|--------|----------|-----------|
| Australia | 10.000 | 102.32 | +0.1499 | +0.140 | 8.31 | 8.54 |
| Belgium | 9.000 | 99.01 | +0.1500 | +0.800 | 9.14 | 8.96 |
| Canada | 8.500 | 104.02 | +0.3000 | +0.300 | 7.42 | 7.62 |
| Denmark | 9.000 | 110.00 | +0.2000 | +0.200 | 9.58 | 9.75 |
| France | 8.500 | 103.97 | +0.8300 | +0.241 | 9.00 | 9.39 |
| FRANCE | 8.500 | 110.02 | +0.3500 | +0.900 | 9.19 | 8.78 |
| Germany | 8.000 | 101.02 | +0.6500 | +0.430 | 8.21 | 8.07 |
| ITALY | 10.000 | 105.02 | +0.1100 | +0.100 | 14.12 | 13.24 |
| JAPAN | No 119 | 4.800 | +0.9975 | +0.202 | 5.00 | 5.13 |
| No 129 | 4.800 | 103.00 | +0.0028 | +0.800 | 9.19 | 9.23 |
| Netherlands | 8.500 | 103.00 | +0.2500 | +0.250 | 8.40 | 8.30 |
| SPAIN | 11.300 | 101.02 | +0.3000 | +0.250 | 12.56 | 11.76 |
| UK GILTS | 10.000 | 110.00 | +0.1000 | +0.100 | 8.30 | 8.18 |
| US TREASURY | 7.500 | 105.02 | +0.0502 | +0.050 | 6.74 | 7.09 |
| 8.000 | 101.02 | +0.1002 | +0.100 | 7.45 | 7.57 | 7.75 |
| ECU (French Govt) | 8.500 | 103.02 | +0.2500 | +0.380 | 9.65 | 8.82 |

London closing. *Denotes New York morning session. Yields: Local market standard 1 Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. TECHNICAL DATA/ATLAS Price Sources

WEEK IN THE MARKETS

Strike nerves push platinum higher

NERVOUSNESS ahead of next week's national strike in South Africa pushed platinum prices up sharply at the end of the week. South Africa accounts for about two thirds of the total platinum supplies.

An earlier downturn had been encouraged by Tuesday's announcement that a pay settlement had been reached between management and unions at Impala Platinum, South Africa's second biggest producer. But that slide was reversed on Thursday, when the price rose \$3.75 to \$376.25 a troy ounce, and yesterday a further \$9 was added, taking the price to \$385.25 at the afternoon fix, up \$4.90 on the week.

The two-day South African strike that is scheduled to begin on Monday has already been discounted at the price ruling before the rise of the last two days, but the market nevertheless became increasingly edgy as it drew nearer.

"Nobody wanted to go into the weekend short... and the early buying caused a panic scramble to get covered," one dealer explained yesterday. He said there was concern that situation in South Africa might get out of control once the strike was under way.

The gold price moved up with platinum yesterday, rising \$1.35 to \$357.95 an ounce.

up 80 cents on the week.

At the London Metal Exchange nickel prices came under increasing pressure as stocks in exchange warehouses surged by 6,924 tonnes to an all-time high of 24,580 tonnes. That compared with 11,922 tonnes at the start of the year and 6,400 tonnes 12 months ago and beat the previous record of 32,684 tonnes set in March 1984.

A decisive breach of support at around \$7,500 a tonne for three months metal prompted further selling yesterday and by the close the price was \$7,417.50 a tonne, down \$75 on the day and \$205 on the week.

LME warehouse stocks (As at Thursday's close) tonnes

| | | |
|-----------|--------|--------------|
| Aluminium | -3,570 | to 1,391,225 |
| Copper | -2,200 | to 261,250 |
| Lead | -1,000 | to 148,000 |
| Nickel | +4,650 | to 34,500 |
| Zinc | +2,376 | to 341,475 |
| Tin | +300 | to 14,500 |

The uptrend in LME lead stocks also continued this week, the total rising another 1,600 tonnes to 148,000 tonnes. But that bearish factor was easily outweighed by Thursday's news that workers had gone on strike at Doe Run's Herculaneum smelter in the US, which has an annual capacity of 225,000 short tons (2,000 lb). The cash price rose immediately by 217 to \$258.50 a

tonne, but was trimmed yesterday to \$249.25, up \$7.25 on the week, as the company said the smelter might restart on Monday, run by salaried staff.

The announcement of a modest fall in LME aluminium stocks helped prices to steady a little yesterday following a run of chart-inspired losses earlier in the week. The cash price closed at \$1,316.50 a tonne, up \$6 on the day but \$21 down on the week.

Some traders said that the flood of Russian aluminium that had driven the exchange stockpile to unprecedented levels over the past 18 months had slowed to a trickle as production difficulties got the better of the country's hard-pressed producers. Shortages of cash, alumina (aluminium oxide) and spare parts, combined with transport difficulties suggested that Russian claims that exports were being maintained at 75 per cent of last year's level (estimated at 1m tonnes) would not stand close examination, they said.

Despite concern about Polish copper workers' plans to intensify their strike action against the KGHM combine copper prices declined for most of the week. A fall in LME stocks aided a \$5.50 rally yesterday, however, and the cash price closed at \$1,315.50 a tonne, 225

down on the week.

When three months delivery tin breached the \$7,000-a-tonne level on Monday traders suggested that with chart patterns looking bearish a further slide was on the cards. And they were not disappointed. Despite recovering \$20 yesterday the price ended the week \$207.50 down on balance at \$6,835 a tonne.

The coffee market got little inspiration from talks going on in London this week on a new price-stabilising international coffee agreement and the September futures price ended \$8 down on balance at \$745 a tonne.

"If you look at what has happened over the past week, then we haven't achieved much. The prevailing feeling is one of frustration," producer spokesman Mr Valdemar Carneiro Leao of Brazil told the Reuters news agency yesterday. The producers' disappointment

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Continued on next page

FT MANAGED FUNDS SERVICE

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WORLD STOCK MARKETS

[illegible]

INDICES

[illegible]

NEW YORK ACTIVE STOCKS TRADING VOLUME

| Thursday | Stocks traded | Closing price | Change on day | Index |
|----------------|---------------|---------------|---------------|-------------|
| RJR Nabisco | 3,221,600 | 8 1/4 | + 1/4 | Wall Street |
| Episcopal | 2,616,900 | 6 1/2 | + 1 3/4 | Amex |
| Yehuda | 2,285,100 | 47 1/2 | + 1/2 | NASDAQ |
| Zenith | 1,989,400 | 22 1/2 | - 1/2 | NYSE |
| Transwest | 1,877,800 | 41 1/2 | + 1/2 | Amex |
| Coca Cola | 1,637,000 | 11 1/2 | + 1/2 | NYSE |
| Coca Cola | 1,637,000 | 11 1/2 | + 1/2 | NYSE |
| Popcorn | 1,623,900 | 37 | + 1/2 | Amex |
| Griffith Myers | 1,570,400 | 69 1/2 | + 1/2 | Unchanged |
| Gen Motors | 1,431,300 | 41 1/2 | + 1/2 | New York |

ING ACTIVITY

| | Jul 30 | Jul 28 | Jul 26 |
|-------|---------|---------|---------|
| ONE | 111,044 | 275,740 | 227,750 |
| TWO | 104,000 | 14,869 | 11,472 |
| THREE | 168,750 | 210,739 | 173,312 |
| FOUR | 2,327 | 3,321 | 3,114 |
| FIVE | 1,023 | 1,343 | 1,390 |
| SIX | 711 | 324 | 311 |
| SEVEN | 292 | 484 | 493 |
| EIGHT | 114 | 218 | 139 |
| NINE | 17 | 22 | 25 |

| | | | | |
|------|------|------|------|---------------|
| 1986 | 1989 | 1987 | 1982 | 215.50 (26.6) |
|------|------|------|------|---------------|

| | | | | |
|---------|---------|---------|---------|---------------|
| 671.82 | 679.25 | 674.48 | 674.18 | 772.74 (128) |
| 1079.30 | 1075.72 | 1085.31 | 1077.67 | 2389.30 (114) |
| 389.64 | 388.84 | 384.67 | 383.25 | 646.99 (121) |
| 3244.04 | 3277.0 | 3194.8 | 3172.8 | 1357.08 (121) |
| 4242.04 | 4239.0 | 4194.8 | 4172.8 | 4849.00 (141) |
| 509.95 | 509.25 | 503.84 | 514.45 | 681.41 (127) |
| 236.32 | 215.68 | 215.93 | 211.35 | 346.51 (128) |

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| [92.40 121] | Hiroshima (Bank) | 650 | +41 |
| | Nitachi | 723 | +7 |

| | | | |
|-------------|----------------|-------|-----|
| 6/3/23 12M | Hilachi Sales | 310 | +19 |
| | Hilachi Tools | 1,160 | +29 |
| | Hilachi Tools | 140 | +10 |
| 6/3/23 12M | Hilachi Sales | 1,250 | +50 |
| | Hilachi Metals | 730 | -10 |
| 3/3/13 19M | Hilachi Sales | 449 | +9 |
| | Hilachi Tools | 486 | +10 |
| 10/6/08 12M | Hilachi Tools | 2,100 | +10 |
| 4/15/08 12M | Hilachi Tools | 495 | +26 |
| | Hilachi Tools | 2,250 | +50 |
| 5/6/23 12M | Honda Motor | 1,290 | +49 |
| | Honda Motor | 490 | +12 |
| | Honda Motor | 1,010 | +10 |
| | Honda Corp | 1,540 | +50 |
| 2/1/23 12M | Hit | 422 | +12 |

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| Mitsui Marine..... | 726 | +49 | Shinko Etek P |
| Mitsui Ship & Svc..... | 380 | +21 | Shintzu Corp |
| Mitsui Oils & Gas..... | 256 | +1 | |

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|-------------------|-------|-------|--------------------------|---------|
| Mitsui Petroleum | 541 | +21 | Shinsei | |
| Mitsui Spine | 507 | -17 | Shiseido | |
| Mitsui Toatsu | 335 | +45 | Shinichi | |
| Mitsui ToBk | 645 | +16 | Shimizu Jishi | |
| Mitsubishi | 699 | +9 | Shimizu Kasei | |
| Mitsubishi Elec | 500 | +10 | Shimizu Kasei | |
| Mitsui Iron Works | 400 | +10 | Shimizu Elec Wk | |
| Mitsuo Sports | 873 | -7 | Shimizu Sanyo | |
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|-----------|-----|-----------|------|------|
| ... 2.230 | +50 | BTR | 2.38 | -0.1 |
| 846 | +37 | BTR Hylar | 2.64 | +0.1 |
| 1.400 | +80 | Boral | 2.99 | -0.1 |

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| | | |
|----------------------|------|-------|
| Hang Seng Credit ... | 4.28 | -0.02 |
| Malayan Banking ... | 8.75 | +0.15 |
| Malayan Ind Ltd ... | 2.60 | -0.04 |

| | | | | |
|----|---------------------|-------|--------|--|
| 02 | North Pacific | 1.16 | -0.02 | |
| 04 | Public Bank | 1.32 | -0.01 | |
| 01 | Sierra Darby | 3.88 | +0.22 | |
| 06 | | | | |
| 02 | SINGAPORE | | | |
| 05 | July 31 | 2.54 | + or - | |
| 08 | Cold Storage | \$5 | | |
| 04 | DBS | 11.50 | +0.10 | |
| 04 | Fraser & Neave ... | 10.50 | | |
| 01 | Genting | 8.20 | -0.10 | |
| | Harbour | 2.32 | +0.05 | |
| | Malayan | 1.00 | +0.03 | |

CANADA

| TORONTO | Jun | Jul | Jul | Jul |
|--------------------|---------|---------|---------|---------|
| | 90 | 29 | 28 | 27 |
| Metals & Minerals | 3067.92 | 3081.65 | 3053.43 | 3070.65 |
| Composite | 3425.60 | 3424.60 | 3411.50 | 3396.46 |
| MONITREX Portfolio | 1801.30 | 1803.04 | 1796.84 | 1792.45 |

Base values of all indices are 100 except NYSE All Common—Toronto Composite and Metals—1000. Toronto indices based on 83, * Excluding bonds, * Industrial, plus Utilities, Financial

TAIWAN
Weighted Price 1300/60

| 1992 | | THAILAND Baogst SET 330/475 |
|----------------|---------------|------------------------------------|
| HIGH | LOW | WORLD M 5 Capital Int'l 131/171 |
| 3238.87 (16/1) | 2828.26 (8/4) | Euro Top-100 126/97/89 |
| 3666.00 (16/1) | 3318.10 (8/4) | |
| 1937.59 (16/1) | 1727.04 (8/4) | |

—50, Standard and Poor's—10; and
 (c) 1975 and Montreal Portfolio 4/1
 and Transportation. (d) Closed. (e)
 Closed. (f) Closed.

| | | | | | |
|---------|---------|---------|---------|---------|-------|
| 4100.52 | 4029.53 | 3947.32 | 3759.18 | 3591.63 | GRUPL |
|---------|---------|---------|---------|---------|-------|

| | | | | | |
|------|--------|--------|--------|--------|--------------|
| | 704.42 | 739.66 | 736.56 | 732.57 | 692.39 (124) |
| U.S. | 494.8* | 492.0 | 490.5 | 487.8 | 542.10 (171) |
| | 853.08 | 854.22 | 860.03 | 847.08 | 916.35 (259) |

where Weighted Price = 40.88, Korea Cos. = 521.76
 *Calculated at 25.00
 are 100 except: America Traded, 183.20; U.S. Gov., 181.0; Gov. & Gold - 255.7; JSE 2% Industrials - 264.3 and Australia 50 Ordinary

| | | | |
|--------------|------------------|-----|-----|
| Mar 12 (Thu) | Portia | 560 | -10 |
| | Pinkara Sanyo .. | 310 | +10 |
| | Isuzu Motors .. | 263 | -1 |

| | | | |
|----------------|---------------------|-------|------|
| 667.94 (11/93) | Robson Farms | 8770 | +21 |
| | Rummen & Co | 306 | +5 |
| | Yu Yokado | 3,950 | +160 |
| 667.50 (9/90) | Isuzu Elec | 369 | +99 |
| 648.96 (2/77) | Imajima | 1,740 | ... |
| | JEOL | 588 | +26 |
| | JGC | 1,940 | +30 |
| | Japan Supply Mach | 225 | +12 |
| | JIAL | 670 | ... |
| | Japan Metals & Chem | 484 | +14 |
| | Japan Radio | 1,330 | ... |

| | | | |
|------------------|-------|---|---|
| HTM Taro Buring | 499 | 3 | 1 |
| Nachi Fuji Koshi | 415 | 3 | 1 |
| Manzaki Jia | 1,099 | 3 | 1 |

| | | |
|-----------------|-------|------|
| Nagase | 525 | -5 |
| Nagoya Railroad | 527 | -7 |
| National House | 1,460 | -5 |
| Nichihi | 1,758 | -176 |
| Nichirei | 624 | -4 |
| Nikko Cement | 619 | -19 |
| Nippon Kofu | 439 | +22 |
| Nippon Portland | 785 | +5 |
| Nihata Eng | 487 | +19 |
| Nihoku Sec | 513 | -7 |
| Nitro Corp | 595 | -9 |

| | | |
|--------------------|--------|------|
| Fosters Brewing... | 1.87 | -0.1 |
| Gen Prop Tst | 2.29ml | +0.1 |
| GIO Australia | 2.49 | |

[illegible]

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|----|---------------|------|-------|
| 42 | Share Trading | 5.22 | +0.06 |
| 22 | Tax Loss Bank | 3.14 | +0.04 |
| | HOB | 6.80 | |

Price data supplied by Telekurs.

NOTES — Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (a) Unavailable. (b) Dealings suspended. (c) Ex dividend. (d) Ex scrip issue. (e) Ex rights. (f) Ex all.

Unavailable.

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AMERICA

Dow cautiously approaches record high

Wall Street

WALL Street headed toward record levels as the market built on the gains made this week, writes Karen Zagor in New York.

At 1 pm, the Dow Jones Industrial Average was up 7.57 at 3,339.46 after briefly breaking above 3,400 at 12.45 pm. The Dow reached a record high of 3,413.21 on June 1.

The overall tone of the market, however, was mixed with advancing issues leading those declining by a slim margin. NYSE volume was fairly light, with just over 100m shares changing hands at 1 pm.

The market's restrained advances were reflected in other indices. The Standard & Poor's 500 was 0.28 higher at 424.20 while the Nasdaq composite was up 0.51 at 579.31.

Among the economic news of the day was the release of stronger-than-expected new factory orders for June, which rose 2.3 per cent. Orders for durable goods were revised up to 2.7 per cent from an earlier reported gain of 2.3 per cent. In addition, personal consumption expenditures rose 0.5 per cent in the month, while personal income was flat.

Equities were largely unmoved by the data, but second quarter results continued to have an impact on individual stock movements.

McDonald's tumbled 53¢ to \$36.75 following the release of second quarter net income of \$1.4-a-share against \$2.01 in the same period of 1991.

Shares in Astra, one of the largest US composite insurers, tumbled 1¼ to \$45 in active trading on the back of a loss of 46 cents a share on continuing operations compared with income from continued operations of \$1.13 a share the previous year.

Among other big insurers, Travelers held steady at \$22½. Equitable added ¼ to \$9¼ and

Cigna eased ¼ to \$54¼.

Fleet Mortgage, a unit of Fleet Financial, was the most active issue of the morning. The stock traded at \$23½. An 8.3m initial public offer was made at \$23-a-share.

Other active big board issues included RJR Nabisco Holdings, unchanged at \$8¼, Bristol-Myers Squibb, down ¼ to \$69¼, and Baker Hughes, off ¼ to \$22¼.

Paramount Communications fell ¼ to \$45. The US entertainment group said it was expanding into the theme park business through the acquisition of King's Entertainment in a deal valued at about \$400m.

In Nasdaq trading, Microsoft rose ¼ to \$73¼, Dell Computer climbed ¼ to \$22¼ and Apple Computer lost ¼ to \$46¼.

Canada

BRAMALEA's agreement in principle with its Canadian lenders on a restructuring plan boosted banks and paved the way for strong gains in Toronto stocks at midday.

The banking index was up 42.75 or 1.6 per cent to 2,800.95 and the TSX 300 composite index was up 18.7 at 3,442.31 to show volume of 12.9m shares. Advances led declines by 238 to 172 with transactions valued at C\$164m.

Among banking shares, Canadian Imperial Bank of Commerce rose C\$1 to C\$28½, Toronto Dominion gained C\$½ to C\$19½, Royal Bank firmed C\$½ to C\$25½ and Bank of Nova Scotia rose C\$½ to C\$23½. PWA Corp was up 31 cents to C\$2.85 and Air Canada was up C\$½ to C\$45.

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Unexpected loss knocks Allianz off its pedestal

Disillusion with the insurer and high interest rates have depressed German equities, says David Waller

THIS week has proved to be a baptism of fire for Mr Henning Schulte-Noelle, chief executive of Allianz, the Munich-based insurance company which is one of Europe's most powerful financial institutions. In recent days the company has had some rare trouble with its share price, which in turn has dragged down the German stock market.

On Tuesday, Mr Schulte-Noelle held his first press conference since he took over from Mr Wolfgang Schieren last autumn. What he had to communicate was not welcomed by the stock market.

Shareholders were presented with a larger-than-expected underwriting loss in 1991, the first-ever loss at Allianz's mainstream insurance business. The loss amounted to DM1.76bn (\$1.2bn), down from a profit of DM1.82bn in the previous year, reflecting difficult conditions in eastern Germany and in North America.

That day, Allianz's shares dropped by 3 per cent. But the company's problems - and

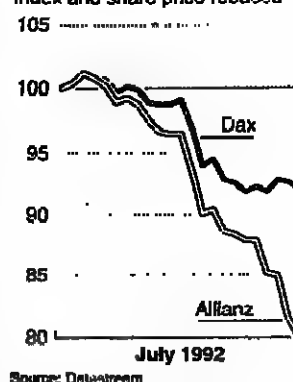
those of the market - did not end there. Following an analysts' meeting on Wednesday, which prompted a hefty downgrade from DB Research, the research arm of the Deutsche Bank, the shares dropped by another 4 per cent on Thursday, and carried on sinking yesterday.

Allianz shares ended the week at DM1.835, a 9 per cent fall since Monday. The DAX index closed at 1,615.42, little changed from last Friday but down 7.2 per cent since the Bundesbank raised its discount rate from 8.0 to 8.75 per cent on July 16.

Analysts say that Allianz's blue-chip image and its status as a proxy for the market because of its shareholdings in other companies have both been tarnished.

Furthermore, investors who previously had been apprehensive about the merits of the strategy pursued by the outgoing Mr Schieren, are now totally disillusioned. His aim had been to reduce Allianz's dependence on the profitable domestic market by investing

Index and share price rebased



Source: Datastream

overseas. Equally controversial was the decision to buy Deutsche Versicherungen, the former east German state insurance monopoly which is unlikely to be profitable before 1995-96.

He spent vigorously - some DM10bn during the 1980s - but these investments, it appears, on the basis of Tuesday's figures, have lowered the quality of the company's earnings.

The shares were dealt a further blow by a sell note from

DB Research. DB analyst Mr Michael Drepper believes that Allianz has grossly overstated its reported Earnings Per Share (EPS) for last year. He says that the 1991 figure should more properly have been DM36, less than two-thirds of the DM10.85 reported on Tuesday. He has also cut his forecast for this year's EPS from DM 45.50 to DM 28 and for 1993 from DM 54 to DM 44.

His recommendation is based on the way Allianz has accounted for DM576m of losses incurred by Deutsche Versicherungen. In calculating its EPS, it treated the losses as an 'extraordinary' item which is taken 'below the line' and therefore has no impact on earnings. DB Research argues that as the losses were normal trading losses, they should have been taken above the line, thus significantly reducing earnings.

Such an unequivocal 'sell' recommendation is unusual in the consensus world of German finance. Conspiracy theorists see it as evidence of a deterioration in relations

between Deutsche Bank and Allianz, the two most powerful institutions in the German financial services sector, and through their extensive industrial holdings, in corporate Germany as well.

The conspiracy theorists may well be wrong. What is clearer is that DB's sell note shows the increasing influence of Anglo-Saxon-style equity analysis in the German stock market. Deutsche Bank has recently reorganised its research activities in an effort to boost its credibility as a provider of independent advice to institutional investors.

Equally Anglo-Saxon was Allianz's response to the sell note: it released a statement to the press defending its position and Mr Drepper, head of the finance director, held an impromptu press conference.

This sort of reaction to share price developments may be familiar in the UK or the US, but it is still uncommon in Germany.

Not surprisingly, the Allianz affair eclipsed the other corporate news of the week. Com-

merzbank, the first of the big three banks to report its figures, reported a 1.47 per cent increase in half-year profits; and BMW, the luxury car maker, announced a 10.5 per cent increase in net profits in the first six months, in spite of poor conditions in world car markets.

In both cases, the figures were impressive, but not enough to lift the gloom which has settled on the German equity market since the interest rate rise.

Only the bravest investor would argue that today's prices offer a buying opportunity. A technical rebound may be possible in the short term but it seems unlikely that there will be a robust recovery in share prices until the Bundesbank relaxes its monetary policy. At present, the consensus is that the central bank will not cut rates until the first quarter of 1993 at the earliest, and may even have to raise the international-sensitive Lombard rate before then.

EUROPE

Fears about Deutsche's results depress Frankfurt

BOURSES ended lower in uncertain trading, writes Our Markets Staff.

FRANKFURT came under renewed pressure from Allianz and Deutsche Bank. Forecasts that the latter's half-year results, due on Tuesday, may prove disappointing saw its shares fall DM1.50 or 1.5 per cent to DM637. Some analysts said that there were rumours that total operating profit would show a 5 per cent decline compared with the same period in 1991, instead of estimates of a rise of between 5 and 7 per cent. At mid-session the FAZ was down 5.12 at 336.90, slightly lower on the week while the DAX shed 8.57 to 1,615.42, but rose 0.3 per cent over the week. Turnover fell to DM4.6bn from DM5.1bn.

BMW, up DM10 at DM553, was lifted by Thursday's pleasing results while other car makers fell. Volkswagen off

FT-SE Eurotrack 100 - Jul 31

| Open | 10.30am | 11am | 12pm | 1pm | 2pm | 3pm | close |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| 1066.95 | 1066.99 | 1065.67 | 1066.05 | 1067.36 | 1068.38 | 1068.72 | 1067.77 |
| Day's High 1069.97 Day's Low 1065.27 | | | | | | | |
| Jul 30 | Jul 29 | Jul 28 | Jul 27 | Jul 26 | Jul 25 | Jul 24 | |
| 1068.92 | 1077.69 | 1058.38 | 1056.98 | 1062.34 | 1062.34 | 1062.34 | |

Base value 1000 (250/1000)

DM3 at DM356.50, Daimler down DM4.50 at DM685 and Porsche DM12 lower at DM515.

News that the Swiss retailer Metro was to take a majority stake in saw the latter's shares fall as low as DM762 before recovering to close up DM2 at DM782. Some analysts welcomed the deal, since it would enable Asko to consolidate its position in the retail sector.

PARIS was unsettled by weakness in the bond market and worries that the French will vote against the Mas-

MILAN

rose as dealers squared their positions ahead of the weekend and the start of August, when many companies close down for the summer holidays. The Comit index rose 4.0 to 401.72, but was 1.1 per cent lower on the week, in turnover estimated at slightly above Thursday's level.

The market was pulled higher at the start by the insurance sector, with Generali adding 1.445 to L26.345 and jumped to L27.890 after hours. Fondiaria rose L590 to L23.510 and Ras added L340 to L13.850.

The market's rebound caused some 10 shares to be suspended temporarily for excessive gains, including the steel group Falck and the energy group Edison.

AMSTERDAM saw selling in Philips after the consumer electronics group's announcement on Thursday that it was delaying the introduction of a

new compact cassette product. Its shares shed 50 cents to F134 while Polygram slipped 70 cents to F147.80. The CBS Tendency index closed down 0.8 at 1163.2 but rose 0.8 per cent on the week.

Royal Dutch was lifted late in the session on good half year results from its Shell Oil division in the US. Its shares advanced F1.230 to F147.20. Fokker, rebuked by the stock market authorities for the way it kept its minority shareholders apprised of its takeover talks with Daimler of Germany, was 20 cents weaker at F125.50.

ZURICH weakened in late trading. The SMI index fell 8 to 1,798.1, but put on 2.4 per cent on the week. Union Bank bears lost SF5 to SF7.01 and Swiss Bank bears dropped SF11 to SF24.7 after announcing on Thursday a 7.7 per cent fall in half year operating profit. Nestlé bearers lost

SF7.70 to SF9.370. BRUSSELS was lifted by gains in Solvay and Petrofina. The Bel-20 index gained 4.08 to 1,145.26, adding 0.4 per cent on the week. In low turnover of BFR45m, Solvay was actively traded after Thursday's positive half-year results, advancing BFR200 to BFR12.475. Petrofina firmed BFR100 to BFR1.025.

VIENNA eased in line with other markets. The ATX index rose 9.54 to 782.62, but was 1.4 per cent on the week.

Steyr Daimler Puch, fell another Schöb to Schöb4 while Austrian Airlines recovered Schöb to Schöb1.575 after falling Thursday on news that it may have to cut its 1993 dividend.

STOCKHOLM rose on foreign interest in Astra. The Aftersvårindex index gained 2.70 to 861.70, up 3.2 per cent on the week. Astra's B shares advanced SKR5 to SKR539.

ASIA PACIFIC

Corporate tax breaks lift Nikkei

Tokyo

REPORTS of the government's additional economic stimulus package, which includes planned tax breaks for corporate capital investment, lifted share prices but activity remained subdued ahead of the weekend, writes Emma Terano in Tokyo.

The 225-issue index gained 35.68 to 15,910.38, for a rise of 2.17 per cent on the week. The index fell to the day's low of 15,469.09 in the morning session on small-list profit-taking, but later surged on index-linked buying by investment trusts, hitting the day's high of 15,967.18 in the afternoon.

Volume, however, fell to 200m shares from 223m. Gainers led losers by 805 to 181, with 114 issues remaining unchanged. The Toxip index of all first section stocks rose 25.77 to 1,219.25 and in London, the ISE/Nikkei 50 index fell 3.24 to 968.93.

Traders said the bulk of activity consisted of short-covering, and little new demand was seen. Mr Yasuo Ueki at Nikko Securities said: "Sentiment seems to have improved as the government has started to announce concrete measures to counter the weak economy and stock market." He added that investors were waiting to take profits at higher levels.

Reports that central bankers in the US, Japan, and Europe were in close discussions over problem loans at commercial banks, encouraged market participants.

Banks and property-related issues, which rose on Thursday on the government's plans to support land prices by purchasing real estate for public works projects, advanced sharply.

Industrial Bank of Japan gained ¥70 to ¥1,730 and Sumitomo Bank gained ¥60 to ¥1,430. Mitsui Fudosan, the leading realtor, added ¥89 to ¥839, and Mitsubishi Estate ¥45 to ¥810.

Speculative theme stocks strengthened on short-term trading, with Meiji Milk Products gaining ¥15 to ¥875 and

Okinawa Industries ¥30 to ¥1,060.

Foreign investors were seen bargain-hunting in electrical blue chips. Hitachi advanced ¥70 to ¥735 and Fujitsu gained ¥80 to ¥587. However, Toshiba fell ¥7 to ¥614 and NEC lost ¥2 to ¥780 on continuing concerns over earnings.

In Osaka the OSE average gained 38.25 to 17,750.15 in volume of 12.9m shares.

Roundup

A FIRMER Wall Street and Tokyo helped most markets in the Pacific Basin to rise.

HONG KONG was stronger on selective bargain-hunting. The Hang Seng index rose 51.30 to 5,881.13, a 1.9 per cent rise on the week, in turnover of HK\$2.15bn.

HSBC Holdings was the most active stock, gaining HK\$1.50 to HK\$54, while Hang Seng Bank improved 50 cents to HK\$63.50, and Cheung Kong was up 30 cents at HK\$24.50.

SEOUL's composite index rose 0.73 to 509.95 but was 2.3

per cent down on the week.

Gainers exceeded losers by 327 to 306, with 191 unchanged.

TAIWAN ended higher on buying of shares in the food, plastics and textile sectors. The weighted index gained 78.99 to 4,108.52, up 2.1 per cent on the week, in turnover of T\$299m.

MANILA was slightly stronger. The composite index advanced 3.78 to 1,495.50, a 2.5 per cent increase on the week, as combined turnover improved to 339.3m pesos from 226.5m pesos.

KUALA LUMPUR rose on bargain-hunting with the composite index closing 2.97 higher at 601.53 for a 1.3 per cent gain on the week. Gainers led losers by 156 to 73 in volume of 72.3m shares.

AUSTRALIA weakened with the All Ordinaries index ending down 3.2 at 1,817.7, but up 0.5 per cent on the week.

BANGKOK rose on hopes of good second quarter results. The SET index gained 4.78 to 744.32, up slightly on the week. BOMBAY'S BSE index gained 28.23 to 2,727.05.

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

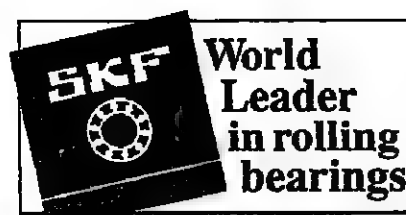
| Notes | Price | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 | 1899 | 1898 | 1897 | 1896 | 1895 | 1894 | 1893 | 1892 | 1891 | 1890 | 1889 | 1888 | 1887 | 1886 | 1885 | 1884 | 1883 | 1882 | 1881 | 1880 | 1879 | 1878 | 1877 | 1876 | 1875 | 1874 | 1873 | 1872 | 1871 | 1870 | 1869 | 1868 | 1867 | 1866 | 1865 | 1864 | 1863 | 1862 | 1861 | 1860 | 1859 | 1858 | 1857 | 1856 | 1855 | 1854 | 1853 | 1852 | 1851 | 1850 | 1849 | 1848 | 1847 | 1846 | 1845 | 1844 | 1843 | 1842 | 1841 | 1840 | 1839 | 1838 | 1837 | 1836 | 1835 | 1834 | 1833 | 1832 | 1831 | 1830 | 1829 | 1828 | 1827 | 1826 | 1825 | 1824 | 1823 | 1822 | 1821 | 1820 | 1819 | 1818 | 1817 | 1816 | 1815 | 1814 | 1813 | 1812 | 1811 | 1810 | 1809 | 1808 | 1807 | 1806 | 1805 | 1804 | 1803 | 1802 | 1801 | 1800 | 1799 | 1798 | 1797 | 1796 | 1795 | 1794 | 1793 | 1792 | 1791 | 1790 | 1789 | 1788 | 1787 | 1786 | 1785 | 1784 | 1783 | 1782 | 1781 | 1780 | 1779 | 1778 | 1777 | 1776 | 1775 | 1774 | 1773 | 1772 | 1771 | 1770 | 1769 | 1768 | 1767 | 1766 | 1765 | 1764 | 1763 | 1762 | 1761 | 1760 | 1759 | 1758 | 1757 | 1756 | 1755 | 1754 | 1753 | 1752 | 1751 | 1750 | 1749 | 1748 | 1747 | 1746 | 1745 | 1744 | 1743 | 1742 | 1741 | 1740 | 173 |
|-------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-----|
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LONDON SHARE SERVICE

AMERICANS

| Notes | Price | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 | 1899 | 1898 | 1897 | 1896 | 1895 | 1894 | 1893 | 1892 | 1891 | 1890 | 1889 | 1888 | 1887 | 1886 | 1885 | 1884 | 1883 | 1882 | 1881 | 1880 | 1879 | 1878 | 1877 | 1876 | 1875 | 1874 | 1873 | 1872 | 1871 | 1870 | 1869 | 1868 | 1867 | 1866 | 1865 | 1864 | 1863 | 1862 | 1861 | 1860 | 1859 | 1858 | 1857 | 1856 | 1855 | 1854 | 1853 | 1852 | 1851 | 1850 | 1849 | 1848 | 1847 | 1846 | 1845 | 1844 | 1843 | 1842 | 1841 | 1840 | 1839 | 1838 | 1837 | 1836 | 1835 | 1834 | 1833 | 1832 | 1831 | 1830 | 1829 | 1828 | 1827 | 1826 | 1825 | 1824 | 1823 | 1822 | 1821 | 1820 | 1819 | 1818 | 1817 | 1816 | 1815 | 1814 | 1813 | 1812 | 1811 | 1810 | 1809 | 1808 | 1807 | 1806 | 1805 | 1804 | 1803 | 1802 | 1801 | 1800 | 1799 | 1798 | 1797 | 1796 | 1795 | 1794 | 1793 | 1792 | 1791 | 1790 | 1789 | 1788 | 1787 | 1786 | 1785 | 1784 | 1783 | 1782 | 1781 | 1780 | 1779 | 1778 | 1777 | 1776 | 1775 | 1774 | 1773 | 1772 | 1771 | 1770 | 1769 | 1768 | 1767 | 1766 | 1765 | 1764 | 1763 | 1762 | 1761 | 1760 | 1759 | 1758 | 1757 | 1756 | 1755 | 1754 | 1753 | 1752 | 1751 | 1750 | 1749 | 1748 | 1747 | 1746 | 1745 | 1744 | 1743 | 1742 | 1741 | 1740 | 1739 | 1738 | 1737 | 1736 | 1735 | 1734 | 1733 | 1732 | 1731 | 1730 | 1729 | 1728 | 1727 | 1726 | 1725 | 1724 | 1723 | 1722 | 1721 | 1720 | 1719 | 1718 | 1717 | 1716 | 1715 | 1714 | 1713 | 1712 | 1711 | 1710 | 1709 | 1708 | 1707 | 1706 | 1705 | 1704 | 1703 | 1702 | 1701 | 1700 | 1699 | 1698 | 1697 | 1696 | 1695 | 1694 | 1693 | 1692 | 1691 | 1690 | 1689 | 1688 | 1687 | 1686 | 1685 | 1684 | 1683 | 1682 | 1681 | 1680 | 1679 | 1678 | 1677 | 1676 | 1675 | 1674 | 1673 | 1672 | 1671 | 1670 | 1669 | 1668 | 1667 | 1666 | 1665 | 1664 | 1663 | 1662 | 1661 | 1660 | 1659 | 1658 | 1657 | 1656 | 1655 | 1654 | 1653 | 1652 | 1651 | 1650 | 1649 | 1648 | 1647 | 1646 | 1645 | 1644 | 1643 | 1642 | 1641 | 1640 | 1639 | 1638 | 1637 | 1636 | 1635 | 1634 | 1633 | 1632 | 1631 | 1630 | 1629 | 1628 | 1627 | 1626 | 1625 | 1624 | 1623 | 1622 | 1621 | 1620 | 1619 | 1618 | 1617 | 1616 | 1615 | 1614 | 1613 | 1612 | 1611 | 1610 | 1609 | 1608 | 1607 | 1606 | 1605 | 1604 | 1603 | 1602 | 1601 | 1600 | 1599 | 1598 | 1597 | 1596 | 1595 | 1594 | 1593 | 1592 | 1591 | 1590 | 1589 | 1588 | 1587 | 1586 | 1585 | 1584 | 1583 | 1582 | 1581 | 1580 | 1579 | 1578 | 1577 | 1576 | 1575 | 1574 | 1573 | 1572 | 1571 | 1570 | 1569 | 1568 | 1567 | 1566 | 1565 | 1564 | 1563 | 1562 | 1561 | 1560 | 1559 | 1558 | 1557 | 1556 | 1555 | 1554 | 1553 | 1552 | 1551 | 1550 | 1549 | 1548 | 1547 | 1546 | 1545 | 1544 | 1543 | 1542 | 1541 | 1540 | 1539 | 1538 | 1537 | 1536 | 1535 | 1534 | 1533 | 1532 | 1531 | 1530 | 1529 | 1528 | 1527 | 1526 | 1525 | 1524 | 1523 | 1522 | 1521 | 1520 | 1519 | 1518 | 1517 | 1516 | 1515 | 1514 | 1513 | 1512 | 1511 | 1510 | 1509 | 1508 | 1507 | 1506 | 1505 | 1504 | 1503 | 1502 | 1501 | 1500 | 1499 | 1498 | 1497 | 1496 | 1495 | 1494 | 1493 | 1492 | 1491 | 1490 | 1489 | 1488 | 1487 | 1486 | 1485 | 1484 | 1483 | 1482 | 1481 | 1480 | 1479 | 1478 | 1477 | 1476 | 1475 | 1474 | 1473 | 1472 | 1471 | 1470 | 1469 | 1468 | 1467 | 1466 | 1465 | 1464 | 1463 | 1462 | 1461 | 1460 | 1459 | 1458 | 1457 | 1456 | 1455 | 1454 | 1453 | 1452 | 1451 | 1450 | 1449 | 1448 | 1447 | 1446 | 1445 | 1444 | 1443 | 1442 | 1441 | 1440 | 1439 | 1438 | 1437 | 1436 | 1435 | 1434 | 1433 | 1432 | 1431 | 1430 | 1429 | 1428 | 1427 | 1426 | 1425 | 1424 | 1423 | 1422 | 1421 | 1420 | 1419 | 1418 | 1417 | 1416 | 1415 | 1414 | 1413 | 1412 | 1411 | 1410 | 1409 | 1408 | 1407 | 1406 | 1405 | 1404 | 1403 | 1402 | 1401 | 1400 | 1399 | 1398 | 1397 | 1396 | 1395 | 1394 | 1393 | 1392 | 1391 | 1390 | 1389 | 1388 | 1387 | 1386 | 1385 | 1384 | 1383 | 1382 | 1381 | 1380 | 1379 | 1378 | 1377 | 1376 | 1375 | 1374 | 1373 | 1372 | 1371 | 1370 | 1369 | 1368 | 1367 | 1366 | 1365 | 1364 | 1363 | 1362 | 1361 | 1360 | 1359 | 1358 | 1357 | 1356 | 1355 | 1354 | 1353 | 1352 | 1351 | 1350 | 1349 | 1348 | 1347 | 1346 | 1345 | 1344 | 1343 | 1342 | 1341 | 1340 | 1339 | 1338 | 1337 | 1336 | 1335 | 1334 | 1333 | 1332 | 1331 | 1330 | 1329 | 1328 | 1327 | 1326 | 1325 | 1324 | 1323 | 1322 | 1321 | 1320 | 1319 | 1318 | 1317 | 1316 | 1315 | 1314 | 1313 | 1312 | 1311 | 1310 | 1309 | 1308 | 1307 | 1306 | 1305 | 1304 | 1303 | 1302 | 1301 | 1300 | 1299 | 1298 | 1297 | 1296 | 1295 | 1294 | 1293 | 1292 | 1291 | 1290 | 1289 | 1288 | 1287 | 1286 | 1285 | 1284 | 1283 | 1282 | 1281 | 1280 | 1279 | 1278 | 1277 | 1276 | 1275 | 1274 | 1273 | 1272 | 1271 | 1270 | 1269 | 1268 | 1267 | 1266 | 1265 | 1264 | 1263 | 1262 | 1261 | 1260 | 1259 | 1258 | 1257 | 1256 | 1255 | 1254 | 1253 | 1252 | 1251 | 1250 | 1249 | 1248 | 1247 | 1246 | 1245 | 1244 | 1243 | 1242 | 1241 | 1240 | 1239 | 1238 | 1237 | 1236 | 1235 | 1234 | 1233 | 1232 | 1231 | 1230 | 1229 | 1228 | 1227 | 1226 | 1225 | 1224 | 1223 | 1222 | 1221 | 1220 | 1219 | 1218 | 1217 | 1216 | 1215 | 1214 | 1213 | 1212 | 1211 | 1210 | 1209 | 1208 | 1207 | 1206 | 1205 | 1204 | 1203 | 1202 | 1201 | 1200 | 1199 | 1198 | 1197 | 1196 | 1195 | 1194 | 1193 | 1192 | 1191 | 1190 | 1189 | 1188 | 1187 | 1186 | 1185 | 1184 | 1183 | 1182 | 1181 | 1180 | 1179 | 1178 | 1177 | 1176 | 1175 | 1174 | 1173 | 1172 | 1171 | 1170 | 1169 | 1168 | 1167 | 1166 | 1165 | 1164 | 1163 | 1162 | 1161 | 1160 | 1159 | 1158 | 1157 | 1156 | 1155 | 1154 | 1153 | 1152 | 1151 | 1150 | 1149 | 1148 | 1147 | 1146 | 1145 | 1144 | 1143 | 1142 | 1141 | 1140 | 1139 | 1138 | 1137 | 1136 | 1135 | 1134 | 1133 | 1132 | 1131 | 1130 | 1129 | 1128 | 1127 | 1126 | 1125 | 1124 | 1123 | 1122 | 1121 | 1120 | 1119 | 1118 | 1117 | 1116 | 1115 | 1114 | 1113 | 1112 | 1111 | 1110 | 1109 | 1108 | 1107 | 1106 | 1105 | 1104 | 1103 | 1102 | 1101 | 1100 | 1099 | 1098 | 1097 | 1096 | 1095 | 1094 | 1093 | 1092 | 1091 | 1090 | 1089 | 1088 | 1087 | 1086 | 1085 | 1084 | 1083 | 1082 | 1081 | 1080 | 1079 | 1078 | 1077 | 1076 | 1075 | 1074 | 1073 | 1072 | 1071 | 1070 | 1069 | 1068 | 1067 | 1066 | 1065 | 1064 | 1063 | 1062 | 1061 | 1060 | 1059 | 1058 | 1057 | 1056 | 1055 | 1054 | 1053 | 1052 | 1051 | 1050 | 1049 | 1048 | 1047 | 1046 | 1045 | 1044 | 1043 | 1042 | 1041 | 1040 | 1039 | 1038 | 1037 | 1036 | 1035 | 1034 | 1033 | 1032 | 1031 | 1030 | 1029 | 1028 | 1027 | 1026 | 1025 | 1024 | 1023 | 1022 | 1021 | 1020 | 1019 | 1018 | 1017 | 1016 | 1015 | 1014 | 1013 | 1012 | 1011 | 1010 | 1009 | 1008 | 1007 | 1006 | 1005 | 1004 | 1003 | 1002 | 1001 | 1000 | 999 | 998 | 997 | 996 | 995 | 994 | 993 | 992 | 991 | 990 | 989 | 988 | 987 | 986 | 985 | 984 | 983 | 982 | 981 | 980 | 979 | 978 | 977 | 976 | 975 | 974 | 973 | 972 | 971 | 970 | 969 | 968 | 967 | 966 | 965 | 964 | 963 | 962 | 961 | 960 | 959 | 958 | 957 | 956 | 955 | 954 | 953 | 952 | 951 | 950 | 949 | 948 | 947 | 946 | 945 | 944 | 943 | 942 | 941 | 940 | 939 | 938 | 937 | 936 | 935 | 934 | 933 | 932 | 931 | 930 | 929 | 928 | 927 | 926 | 925 | 924 | 923 | 922 | 921 | 920 | 919 | 918 | 917 | 916 | 915 | 914 | 913 | 912 | 911 | 910 | 909 | 908 | 907 | 906 | 905 | 904 | 903 | 902 | 901 | 900 | 899 | 898 | 897 | 896 | 895 | 894 | 893 | 892 | 891 | 890 | 889 | 888 | 887 | 886 | 885 | 884 | 883 | 882 | 881 | 880 | 879 | 878 | 877 | 876 | 875 | 874 | 873 | 872 | 871 | 870 | 869 | 868 | 867 | 866 | 865 | 864 | 863 | 862 | 861 | 860 | 859 | 858 | 857 | 856 | 855 | 854 | 853 | 852 | 851 | 850 | 849 | 848 | 847 | 846 | 845 | 844 | 843 | 842 | 841 | 840 | 839 | 838 | 837 | 836 | 835 | 834 | 833 | 832 | 831 | 830 | 829 | 828 | 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| 660 | 659 | 658 | 657 | 656 | 655 | 654 | 653 | 652 | 651 | 650 | 649 | 648 | 647 | 646 | 645 | 644 | 643 | 642 | 641 | 640 | 639 | 638 | 637 | 636 | 635 | 634 | 633 | 632 | 631 | 630 | 629 | 628 | 627 | 626 | 625 | 624 | 623 | 622 | 621 | 620 | 619 | 618 | 617 | 616 | 615 | 614 | 613 | 612 | 611 | 610 | 609 | 608 | 607 | 606 | 605 | 604 | 603 | 602 | 601 | 600 | 599 | 598 | 597 | 596 | 595 | 594 | 59 |
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FINANCIAL TIMES

Weekend August 1/August 2 1992



Governors concerned over pressure on university's finances

LSE bids £65m for County Hall

By Andrew Adonis

GOVERNORS of the London School of Economics are worried about the viability of the £65m bid submitted yesterday for County Hall, the landmark London site it is seeking as its new headquarters.

At least one fears that the move could bankrupt the social science university unless it is supported by a direct government subsidy.

In cash terms, the LSE bid is almost certainly lower than the £60m sale price which was agreed with the Japanese Shira-yama Corporation for the riverside building alone. This building comprises less than half the whole County Hall site.

The LSE believes that the "public interest" aspects of its bid justify the shortfall.

However several of its governors are understood to have expressed concern at a meeting on Thursday that some of the assumptions upon which the bid is based - notably the LSE's ability to dispose of its existing Aldwych site for about £100m within three years - are unrealistic.

They are also concerned that the cost of servicing a loan of up to £50m would put unsustainable pressure on the LSE's finances.

Mr John Ashworth, the LSE's director, is believed to have assured them that the offer was not irrevocable, although the government told the LSE last

week that its bid should be "unconditional".

Mr Ashworth said his bid, submitted just before the government's end-of-month deadline, was "very sensible - not just financially, but in the national interest more broadly".

Hambros Bank, the LSE's financial adviser, said it was "entirely happy" with the bid, and was prepared to lend a "substantial" part of the sum.

However, the Universities Funding Council is believed to be unwilling to indicate support for the bid without further justification.

Mr Michael Howard, the environment secretary, will take a final decision by early September.

Mr Makoto Toyota, Shira-yama's London agent, called for the bid's "immediate rejection", on the grounds that it was neither competitive nor unconditional. Shira-yama intends to pursue its legal action for damages caused by the continued refusal to rule out an LSE bid.

The LSE bid enjoys strong cross-party support, but ministers are concerned at the financial implications. They will not be reassured by the view generally expressed by its supporters that its success will be essentially a political matter, reflecting on the government's determination to see the LSE become "Europe's social science university".

Channel 4 fined for refusing to disclose source

By Robert Rice and Raymond Snoddy

CHANNEL 4 yesterday escaped possible sequestration of its assets and the threat of closure for refusing to reveal the source behind a television documentary on Northern Ireland.

Instead Lord Justice Woolf imposed a total fine of £75,000 on the channel and Box Productions, the company which produced the programme, alleging systematic collusion between the Royal Ulster Constabulary and Loyalist death squads.

Channel 4 and Box, which argued that they could not identify their main source without endangering his life, will also have to pay costs estimated at between £150,000 and £200,000.

Lord Justice Woolf said in the High Court that Channel 4, which was found to be in contempt of the Prevention of Terrorism Act, should have borne in mind that the programme would undermine the reputation of the RUC and the



Channel 4 chief executive Michael Grade, left, and chairman Sir Richard Attenborough leave the High Court yesterday after the company was fined for refusing to reveal a source's name.

rule of law - just what terrorists were trying to do.

But he had decided against sequestration of assets, which could have destroyed Channel 4 and Box, because it was clear they were not going to disclose the names of "Source A". The only alternative was a fine.

No one could doubt the dilemma the companies faced or

their desire to co-operate with the law so far as they were able, the judge said. The fine was therefore substantially smaller than it might have been.

Even more significantly Lord Justice Woolf said there should be no further proceedings either against the companies or any individuals involved.

Sir Richard Attenborough,

Channel 4 chairman, said the judge had recognised the dilemma the company had faced.

"Although they had no real option but to fine the companies for contempt, and although there remains a gulf between the views we and the court take on the duties of serious journalists, no draconian penalties were levied," he added.

Fraud Office scraps final Blue Arrow case

By John Mason

THE UK's Serious Fraud Office has finally abandoned its Blue Arrow prosecution by dropping proceedings against four City advisers still charged with fraud over the affair.

The SFO's widely expected decision to scrap the next two trials followed the Court of Appeal's criticism earlier this week that the first trial - which lasted a year and cost £35m - was a "costly disaster" which should never be repeated.

The four advisers who will now be acquitted of conspiring to mislead the markets are Mr Charles Villiers, former chairman of

County NatWest, Ms Elizabeth Brimelow, County's former compliance director, and Mr Paul Smallwood and Mr Tim Brown, former equities directors with UBS Phillips & Drew.

The SFO decided there was no longer any public interest in prosecuting these four in the light of the appeal court's criticism, made during its judgment explaining why it was quashing the convictions of four other advisers found guilty of conspiracy to defraud.

Mr Nicholas Purnell QC, who brought the ill-fated prosecution for the SFO, will tell the trial judge, Mr Justice Brooke, on Monday that no evidence will be

offered against the remaining four. The decision to drop the charges came as no surprise in the City. One regulator commented: "In the light of the outcome of the first trial the SFO could not have done anything else. It would not have been fair."

It is widely accepted that the four played only peripheral roles in County's and UBS Phillips & Drew's handling of the issue.

Neither Mr Smallwood nor Mr Brown was available for comment yesterday, but a UBS Phillips & Drew official said the firm was "absolutely delighted".

The company still employs the two men, though neither has been involved in investment

work since their arrests in November 1989. Cuts placed on their working by the Securities and Futures Authority are expected to be lifted next week.

Neither Mr Villiers nor Ms Brimelow would comment yesterday. Mr Villiers is currently head of corporate development at Abbey National. Ms Brimelow has been out of work for almost three years.

The dropping of the prosecution does not quite mark the end of the Blue Arrow affair. The findings of the Department of Trade and Industry inquiry into the role played by National Westminster Bank's top management should be released this year.

Bangkok citizens driven potty

Continued from Page 1

the motorcycles have started to get stuck. On Wednesday night, some commuters simply stopped at the nearest restaurant and enjoyed an unscheduled meal while waiting for the roads to clear.

Bangkok's traffic congestion threatens to choke the country's dynamic economy. Some expatri-

ates have moved to the efficient and less polluted island of Singapore, rather than struggle to reach meetings in Bangkok. Work on two mass transit projects - both including elevated railways - is expected to start shortly, but it will be several years before they relieve the congestion on the roads. In fact, the construction work will make matters worse.

Treasury defends sterling

Continued from Page 1

The chancellor and the Bank governor were supported in their campaign to bolster sterling by Sir Jeremy Morse, chairman of Lloyds Bank.

Sir Jeremy said the pain inflicted by ERM discipline would have to be endured to reach the goals the government wanted. "We are suffering the same

pain that other countries did years ago," he said. He poured cold water on the chances of a realignment of currencies in the ERM, unlike Mr Pease and Sir Denys, who urged the government to work for such a move.

After losing about one pence against the D-Mark in early European trading, the pound recovered to close unchanged in London at DM2.8425.

THE LEX COLUMN

Gas turns up the heat

British Gas's decision to submit itself to the Monopolies and Mergers Commission is of central importance for the UK's privatised utilities as a class. British Gas may be in some ways a special case. It is the only utility to have suffered a breakdown of relations with its regulator. But that makes it the ideal test case on how far and how frequently a regulator can change the rules. It is also the purest monopoly of the lot: the others either suffer competition at the consumer level, like BT, or are broken into regional monopolies like water and electricity. But that makes Gas the ideal subject for establishing the central question of what kind of rate of return a monopoly should enjoy.

For the other utilities - BT especially - the effect is that of a free ride at Gas's expense. Going to the MMC is a fairly desperate expedient, given the risk of an adverse ruling and the burden on senior management time. It is not clear whether Gas did so because of stubborn resistance to change, or in the realisation that the regulatory impasse was making change impossible. Either way, it could ultimately benefit from the experience, not least in being obliged or allowed to slash costs in the BT manner.

Investors must now resign themselves to a becalmed share price until the spring. But an MMC reference was mostly in the price already. There is always the chance that the findings will change Gas still further from the animal described in the original prospectus. But for investors, as for the management, there is value in knowing where they stand.

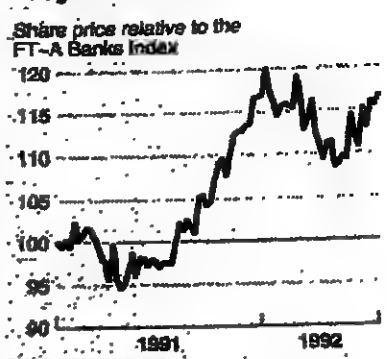
Sterling

Perhaps Mr Brian Pearce of Midland Bank and Sir Denys Henderson of ICI would be better advised to keep their mouths shut about the exchange rate. Their complaints this week about the economic cost of maintaining sterling's level within the ERM elicited no sympathy from the Treasury. But they have contributed to a growing malaise in the currency markets. If that continues, the government may find itself under pressure to raise interest rates, which can scarcely be what the two men intended.

Part of the trouble is that the exchange market has begun to doubt the government's resolve following the speed with which it moved to ensure that Cheltenham & Gloucester withdrew its recent mortgage rate rise. That makes the market more inclined

FT-SE Index: 2399.6 (+12.0)

Lloyds Bank



to push sterling down towards its absolute D-mark floor of 2.778. To be sure, there are still more than 6 pence to go. But sterling already needed official support against the Portuguese escudo yesterday.

Sharply higher Italian interest rates have made it expensive to sell the lira short. That is conspicuously not the case with sterling. Nor does uncertainty over September's French referendum on the Maastricht treaty help. When ERM stability was accepted by the market, currencies at the bottom of the system could only move up. That no longer applies when the system itself is in doubt.

Lloyds Bank

Lloyds Bank must have been disappointed to see its shares fall more than 5 per cent yesterday after it raised its interim dividend by nearly 10 per cent. After all, its net return on equity is a highly respectable 16 per cent, the all-important tier 1 capital ratio is pushing 7 per cent and bad debt provisions against large corporate loans are at their lowest level for more than two years. The trouble is that these factors have for some time allowed the shares to trade at a premium of 100 per cent and more to net assets. What the market was not prepared for was the 6 per cent fall in operating income.

Coming a day after a similar disappointment from Midland, Lloyds' interim results add to the impression that a dearth of income is becoming a problem for the British banking industry which no amount of cost-cutting can disguise. True, Barclays and National Westminster are not expected to show the same shrinkage in

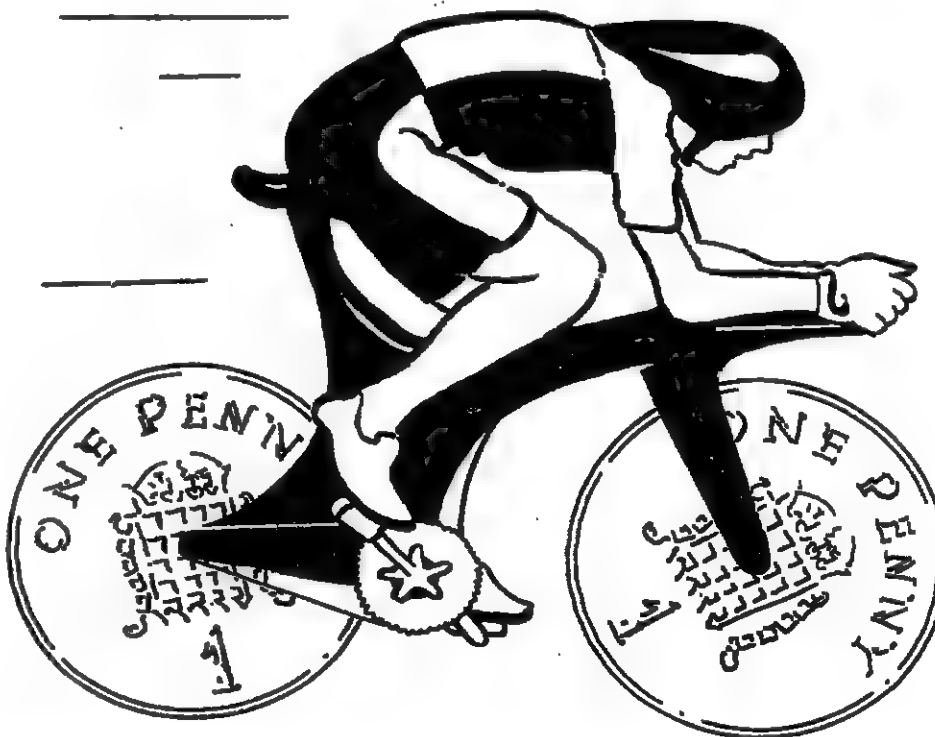
their loan books next week, but Lloyds is the bank to which investors look for strategic vision. It may be right that lower interest rates reduce the amount it can earn on its interest-free capital and that some low-yield business is not worth keeping anyway. Beyond that, however, the answers are hardly original: keep trimming expenses and hope that loan demand will revive. It is thus easy to see why Lloyds was so interested in acquiring Midland. The merger would have given it both extra income and new costs to cut. Unfortunately, there are no obvious alternative candidates. But investors are not without some consolation. For the time being the bank has plenty of resources - including £830m in surplus provisions for developing country debt - with which to finance further increases in its dividend.

Lex Service

Interim figures from Lex Service should dispel some of the more wildly pessimistic stories about the UK car market. The company's forecast of August car sales slightly higher than last year suggests a national total for the month in the region of 350,000, in line with yesterday's estimate from the Society of Motor Manufacturers and Traders.

However, it remains unclear what impact the August rush will have on aggregate second-half margins. Overproduction in anticipation of a more solid recovery in consumer spending could still lead to an overhang of inventory on the forecourts come the autumn, which would only be cleared by discounting. Although the industry claims to be more rational than in the 1980s, such lingering doubts may explain the recent lacklustre performance of Lex's shares. Having outperformed the market by 21 per cent between January and May, they have since lost almost all of this advantage.

Even assuming a good August, Lex is unlikely to repeat the first-half pre-tax figure of £18m, especially given the loss of the Volvo concession. There must be some doubt about its ability to continue equity-accounting the contribution from Arrow Electronics which was £4.6m in the first half. Against this, a more realistic view of residual values allowed the group to make a respectable return on leasing and the integration of Swan National appears to be proceeding smoothly. Assuming the final dividend is held, a prospective yield of 6.3 per cent looks undemanding.



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| CHIEF PRICE CHANGES YESTERDAY | | | | | | | | | | | |
|---|--------|---------|----------------------------|----------------|---------|-----------------|-----|--------|-----------------|-----|---------|
| FRANKFURT (DM) | | | | LONDON (Pence) | | | | POLLIS | | | |
| Bayer | 705 | + 35 | McDonald Digs | 36 1/2 | - 3 1/2 | L. Haver | 250 | + 23 | ARM Lessor | 58 | - 11 |
| Aachen-Mech | 705 | + 35 | Paramount Comm | 45 | - 2 1/2 | Nichemo | 104 | + 30 | Ambros | 242 | - 10 |
| Dier-Werke | 150 | + 7.5 | New York prices at 12.30pm | | | Hygeen Paper Co | 290 | - 10 | Black Goldfolds | 166 | - 8 |
| Halden-Zem | 871 | + 41 | Pharm (FFr) | | | Toddys Auto Ltd | 130 | + 140 | BRASS | 240 | - 7 |
| Lammyer | 710 | + 25 | Pharm Lyomax | 605 | + 41 | London (Pence) | | | British Gas | 240 | - 6 1/2 |
| Pharm | | | Pharm | | | ARM | 125 | - 9 | Capita | 354 | - 20 |
| Colonia Kohn PI | 440 | - 40 | Pharm | | | Carroll | 104 | - 30 | Euro Doney | 875 | - 33 |
| Douglas Hdg | 530 | - 30 | Pharm | | | Carroll | 104 | - 30 | Flatch | 160 | - 13 |
| New York (\$) | | | | LONDON (Pence) | | | | POLLIS | | | |
| IBM | 22 1/2 | + 2 1/2 | Pharm (Yves) | | | Carroll | 104 | - 30 | Lloyds Bank | 401 | - 23 |
| Apple Computer | 46 1/2 | - 1 1/2 | Pharm | | | Carroll | 104 | - 30 | Lowell (V) | 842 | - 2 |
| Astra | 43 1/2 | - 1 1/2 | Pharm | | | Carroll | 104 | - 30 | Pease | 24 | - 5 |
| Bristol Myers | 69 1/2 | - 1 1/2 | Pharm | | | Carroll | 104 | - 30 | Sherris-McCann | 164 | - 9 |
| World Weather | | | | | | | | | | | |
| UK Today: A cloudy start over much of England and Wales, with patchy rain, especially in the west. Some sunshine in eastern England. Cloudy with rain in Scotland, but becoming brighter over eastern counties. | | | | | | | | | | | |
| Temperatures at midday yesterday: 1 Noon GMT temperatures: C-Cloudy D-Dry F-Fair P-Rain | | | | | | | | | | | |
| Temperatures at midday yesterday: 1 Noon GMT temperatures: C-Cloudy D-Dry F-Fair P-Rain | | | | | | | | | | | |

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CONSTRUCTION

heat

As the heat wave continues, it is not surprising that the demand for air conditioning is rising. In fact, the demand is so high that some manufacturers are having trouble keeping up with the orders. This is especially true for the smaller manufacturers who do not have the same resources as the larger ones. As a result, some of these manufacturers are having to raise their prices to cover the increased costs of production. This is a situation that is not ideal for anyone involved in the industry.

Service

It is a common sight to see a car with a flat tire on the side of a road. This is often the result of a lack of proper maintenance. One of the most important things that a driver can do to ensure the safety of their vehicle is to check the tires regularly. This includes checking the pressure and looking for any signs of wear or damage. If a tire is found to be faulty, it should be replaced as soon as possible. This is a simple task that can save a driver a lot of trouble and expense in the long run.

Continued

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Weekend FT

SECTION II

Weekend August 1 / August 2 1992

DR TORE HAUG'S voice crackles over the radio link from Spitzbergen, half-way between Norway and the North Pole. "Our boats have caught 58 whales so far, but we are behind schedule because of the terrible weather and fog."

Haug is the 40-year-old scientist in charge of the six Norwegian whaling boats now at the centre of a fierce international dispute.

His 12-man team on board the *Asbjorn Selvarne* (Child of the Seal) has killed 14 minke whales in the past three weeks, hunting around the clock under the midnight sun. The whaling boats are now heading back to Norway — and back into the dispute.

At the annual meeting of the International Whaling Commission in June, Norway announced that it would resume commercial whaling next spring after a break of five years.

Norway's move threatens to undermine the fragile moratorium which most IWC members have observed since 1985 and Japan is expected to follow. Less than 48 hours after its announcement, Norway dispatched Haug's team to catch 110 minke whales for "scientific research". This is permitted under IWC rules, but considered by some to be a mere pretext for starting whaling immediately.

The resumption brought international condemnation particularly as Mrs Gro Harlem Brundtland, Norway's prime minister, has received dozens of environmental awards, earning her the tag of "the Green Queen". It might prove an obstacle to entry into the EC, the European Parliament has said.

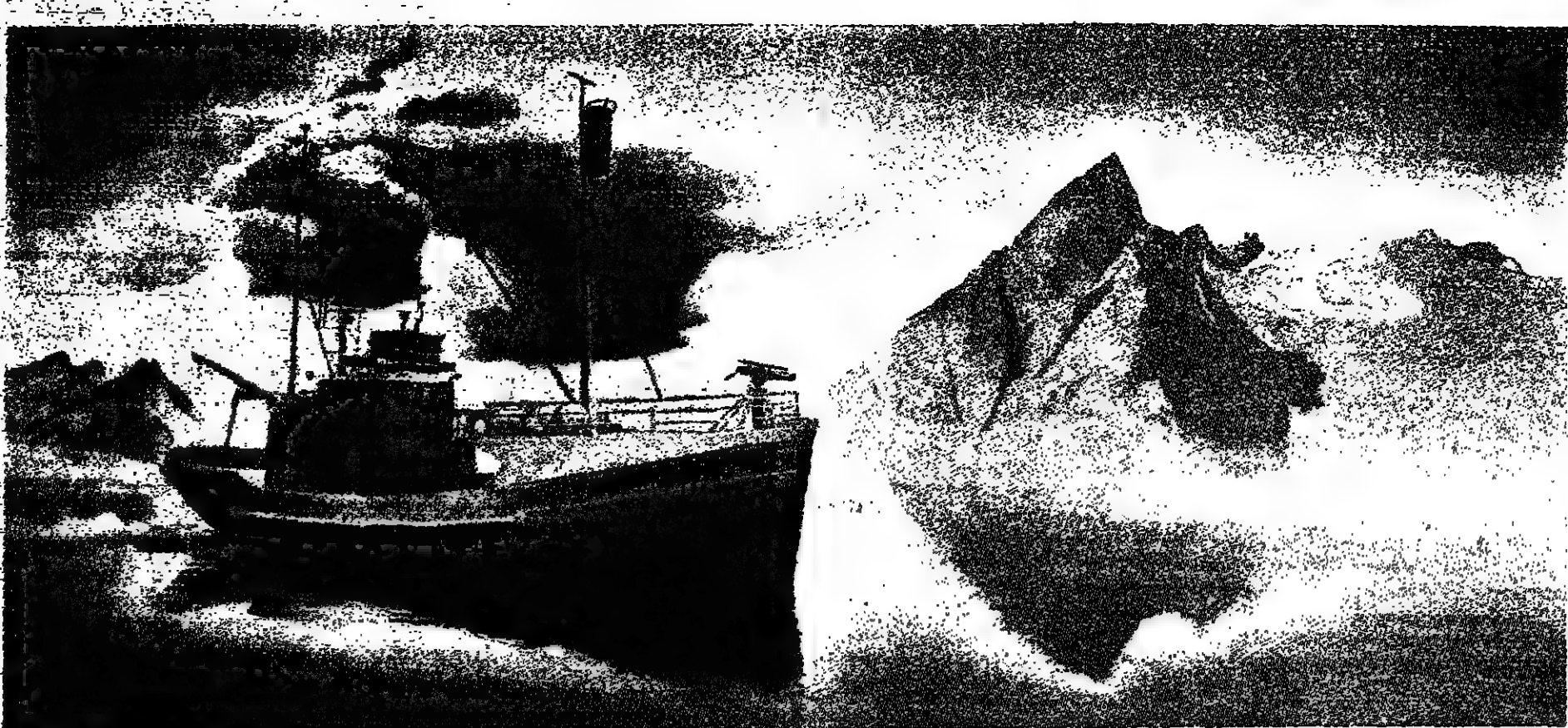
Is the Norwegian stance foolish and obstinate? Are campaigns to "save the whales" trying to protect the species or to protect every single whale — and are they more than a lobby of sentimental animal lovers?

In the tiny whaling villages of the Lofoten archipelago, 150 miles inside the Arctic Circle and four hours from the mainland, the answer is emphatic. "We have to earn our living from the sea — we don't like being called barbarians," says Arne Lauritsen, a local fisherman who has hunted whales for 30 of his 54 years, first with his father and then with his three sons.

He lives in Reine, the village at the south of the islands which could claim to be Norway's whaling capital, with six of the country's 55 registered whaling boats.

It is beautiful and harsh: 150 wooden houses strung along a crescent of flat land between jagged black mountains, pervaded by the smell of fish and seaweed. The road peters out after a few kilometres at the village of Aa. Hugging the shore is the Maelstrom, the ferocious tidal current which horrified Jules Verne in *Twenty Thousand Leagues under the Sea*.

Until 1987 almost a third of the men from Reine's 30 families were whalers. That year the Norwegian government bowed to international pressure to halt commercial whaling.



Return of the whale killers

Bronwen Maddox visits Norway's remote Lofoten Islands to meet the men eager for the hunt

ing — two years later than most countries — until research could determine their numbers.

Ronald Olsen, out in his 65-foot boat, the *Maknefjord*, is searching for the minke which he hopes to kill next season. "Keep looking for the curve of his back in the water", he says from the bridge. The tripod on the bow is empty now, but by spring it will be fitted with four-foot-long metal shafts, with orange grenades screwed to the tip.

The grey-and-white minke whales are hard to spot: only 20 feet long, they rarely spout and their tiny dorsal fins hardly rise above the water.

Suddenly a shout from the crew's nest: a young whale has been spotted close to shore by the low tide. The boat lurches round in pursuit, but the whale, 100 yards away, dives. "Sometimes he is cleverer than me," says Olsen ruefully. "I am just waiting for next spring."

The 1987 ban hit the community hard. "It was a great loss in my life," says Bendiksen. "We used to call it whale sickness — the fever that would grip all the men here in April before the season started."

"But the worse damage was to my wallet," he says, grimacing. "The permits were like money in the bank."

Before the 1987 ban, the whalers sold the slabs of bright red meat to traders on nearby Skrova Island for

Norwegian and Japanese supermarkets. "It is like the best beef you ever had," say the occupants of the Gammelbua, Reine's main bar. On Skrova an average minke would fetch around 30,000 kroner (23,700), although that price seems sacrilege to many whale lovers, it was bounty to the Reine fishermen.

In 1987 Bendiksen says he made around 200,000 kroner. Whaling contributed 80 per cent; catching haddock, cod and capelin in the 24-hour darkness of the winter, less than half. Fishing all year round has proved a poor substitute for whaling, he says, although the govern-

ment has paid half the cost of new cod nets to help compensate. But however much the end of the ban is appreciated by the Lofoten whalers, they number only a few hundred. The Norwegian government is the first to say that the motive behind its decision was not money.

Whaling is not actually economically important to us," says Helga Hernes of the Foreign Affairs Ministry. In 1987, the last year of Norwegian commercial whaling, its catch of 387 whales made the country only 13m kroner, around £1.2m, mainly from selling whale meat to



A minke whale killed by a Lofoten whaling boat before the ban

Japan. Instead, it is a question of the right to preserve a cultural heritage, the ministry says, arguing that "Norway has always made its living from marine resources."

Norway's resumption of whaling pre-empted a judgment by the IWC of whether the minke whale had recovered enough from intensive hunting in the 1950s and 1960s to be caught without endangering its numbers. Norway claims that its action is environmentally sound as there are now enough minke whales off its coasts to "harvest" in line with the Rio environmental summit's principle of the "sustainable use of the environment".

Its scientific arguments that the minke is not endangered are good ones — although less complete than it claims — but it has undermined its case by impatient and insensitive diplomacy. This summer the IWC scientific committee formally accepted an estimate, based on Norwegian data, that there are some 86,000 minke whales in the northeast Atlantic. That is a "best guess", the model gives a 85 per cent chance that the total lies between 61,000 and 120,000.

Acceptance of that figure marks a triumph for the Norwegian delegation to the IWC. It had argued steadily that research in 1987 which suggested that only 20,000 whales were left was wildly inaccurate.

The debate has raged because it is difficult and expensive to work out how many whales there are. For two years Norway sent out boats from its marine institutes to count whales systematically, crossing and recrossing the sea in a grid, at a cost of 30m kroner. They spotted several thousand whales; the institutes had to conduct more studies on how long whales stay underwater and other crucial assumptions in order to project the total population from that small sample.

The IWC's acceptance of the data put some weight behind Norway's case that regular "harvesting" would not jeopardise the northeast Atlantic minke whale. But Norway promptly weakened its case by refusing to wait for the IWC to agree a quota or inspection procedures.

Norway says it will itself run the IWC model of how fast minke whales breed and set itself a safe catch limit.

The "finger in the wind" guess from one IWC executive is that the eventual figure is likely to be between 800 and 1500 next spring, which tallies with the Lofoten fishermen's expectations.

So far the Norwegian government has refused to comment, thus preventing any serious scientific discussion of whether its chosen "harvest" will be safe for the whales. It seems premature for it to

claim "we have science on our side". Norway explains its impatience by saying that the IWC has been hijacked from its task of setting safe quotas by countries which are opposed to any whale killing at all. It has some cause for frustration, given the members' past difficulty in reaching agreement. Indeed, the two arguments have often become entangled. But it has done itself no favours in the way it dismisses its opponents' views as "sentimental and emotional arguments based on animal rights", in the words of the foreign ministry.

The proprietor of the Gammelbua bar demands "what about Spanish bullfighting? And what about your Prince Philip and his fox-hunting? Why pick on whales — they are not special," he says.

"Our problem is that in the past two decades the whale has become an urban totem," says Georg Blichfeldt, secretary of the High North Alliance, a pro-whaling lobby based in Reine. "It is cultural imperialism to impose these foreign values on us."

Those arguments have a long pedigree and a catholic set of advocates. The Marquis de Sade, one of the most succinct, declared "morals are geography misapplied". It is fashionable, widely marketed under the label of cultural relativism, to argue that one culture's standards are not preferable to another's. But it is hard for the Norwegian government to claim the moral high ground. It may complain of other countries' totems but it has itself made a totem out of its whaling traditions, now practised by a tiny fraction of its people.

Its abrupt rejection of its opponents' arguments also does not do justice to the strength of feeling that whales arouse around the world. Hundreds of thousands of pounds are regularly spent rescuing beached whales, and in the past week a British diver has pledged to raise £350,000 to release a Beluga whale, nicknamed Brightness, into the Black Sea. Both Jonah and Moby Dick, neither urban nor contemporary, point to the history behind that fascination.

Politics is more likely than moral pressure to bring a resolution to the battle. International sympathy for whales may mean little to Lofoten islanders, but it cannot be ignored by the Norwegian government, particularly if it intends to apply to join the EC.

So far the Norwegian stand has been expressed in terms of high principle. But it would be disingenuous for the government to argue that survival of the fishing communities is its only motive; the survival of Mrs Brundtland's precarious minority-government Labour Party is also at stake. Her party has seen its support collapse in the coastal towns partly because of its plan to take Norway into the EC, which coastal towns see as a

Continued Page VII
Additional research by Karen Fosell

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Lucia van der Post is in nautical mood and picks some fashionable clothes for Cowes week

- Arts: Books, Bridge & Chess, Crosswords, Finance & The Family, Food, Gardening, How To Spend It, Miscellaneous, Mind Your Own Business, Motoring, Perceptions, Property, Sport, Travel, TV & Radio, Wine

The Long View/Barry Riley Secrets of the drug culture

AMID another wave of Olympic drug-taking scandals there are fears that the problem is spreading to the financial markets. Various novel substances are being tried out, and scientists are racing to develop new detection methods...

A derivative of the drug Majorin, this controversial hallucinogen has pain-killing qualities that enable those taking it to carry on marathon-style beyond the normal limits of endurance. In fact it is almost impossible to persuade them to stop, whatever damage they are doing to themselves or others.

Common side-effects include green streaks in the vision which can progress to cause almost complete blindness. Ultimately the drug can lead to permanent deep depression.

Thatcherol
Has recently appeared at secret acid house parties as an antidote to Lamontose. Produces dramatic clarity in the vision, and those swallowing this concoction achieve a feeling of great certainty and self-confidence. It may one day be legitimised in the UK, but the chances of Thatcherol ("Blue Hearts") ever being approved in Continental Europe are regarded as non-existent, because of total incompatibility with German cold water treatment.

Devalium
Often taken as part of a potent cocktail with Thatcherol, or its close cousin Tebbizin, Devalium is a version of an old stimulant banned some years ago in most of Western Europe (though still popular in the US and parts of Scandinavia). It is sometimes prescribed as a last-resort method of getting people out of bed and back to work; best avoided, but occasionally resorted to as a result of a wild weekend.

Natsavarium
Normally a legitimate and harmless enough financial sedative taken in small quantities by mostly old people, this has proved to have unsuspected qualities when increased in dosage and taken in conjunction with Cheternum G, another tranquilliser with which it tends to react quite violently. In fact the government has panicked over this

development, and the product has been withdrawn by the manufacturer and replaced by a weaker version, Natsavarium 2, reckoned to be ineffective.

Maastrichtone
Appeared on the Dutch narcotics scene with much publicity at the end of last year. After injection with this powerful artificial hormone even ageing politicians and European Community officials have acquired aggressive, masculine characteristics and have gained added weight and power. However, newer and even more powerful drugs such as Danabol-N and the still untested Francanone (due on the market in September) may render Maastrichtone obsolete.

Danabol-N
This powerful derivative of referendol, a traditional Swiss remedy for weakness and indecisiveness last made widely available in the UK by Harold Wilson's second government, appeared unexpectedly in Denmark in June and is believed to have taken European financial markets by storm. Can permit swift muscle-building by small peoples. The Brussels regulators appear to have been taken by surprise but may not be able to rule Danabol-N illegal.

Frankfurton
Slap-on anti-inflammatory remedy widely used in conjunction with German ice-cold water and mud-bath therapy. It is considered excessively powerful by many other Europeans as in some circumstances it can lead to loss of circulation and even partial paralysis. It comes in two isomers, and L-Frankfurton (currently recommended for application as a 9% per cent solution) is regarded as more significant than the D-form (8% per cent). A disadvantage is that it may take a long time to work, but the Germans are unconcerned about the damaging side-effects. Banned in the US and Japan.

Beta-statistuff
Anti-depressant formula which has a following among certain government ministers and top civil servants. It can, for instance, make unpalatable numbers appear attractive. Often prescribed for economy, and prices can be made to

appear low though they can vary according to interest levels. This treatment came under suspicion when it was applied to large numbers of unemployed people and many mysteriously disappeared, but nothing was proved.

Imrolin
Mind-bending drug from Maxwell Laboratories rumoured to be taken by financial regulators to relieve the tedium of their job. Tell-tale signs include a tendency for the eyes to glaze over and the head to nod uncontrollably up and down. Highly addictive, although abusers may eventually be switched over to the less damaging Sibutrin (large doses are now considered necessary under a new regime). If the Imrolin addict does not respond quickly, early retirement may be the only practical answer.

Programmerol
An alternative pick-me-up treatment enjoying something of a vogue amongst computer software engineers, the joke being that they need it to help them cure computer viruses. The most significant effect is a tendency towards optimism which causes addicts to build strong recoveries into economic models and this may explain some of the recent errors by City forecasters. But now most are said to be back on nothing more mind-bending than aspirin.

Electortin
Detection-beating treatment designed to cleanse the system of controversial elements. If this works the drug user can then expect four or five years in which he can go back to his bad old ways before being tested again. For instance, John Major appears to have survived tests for Lamontose and rumours have it, Maastrichtone (though some believe he opted out of this particular treatment) but in the US George Bush may not find it so easy. He is reckoned to be something of a devalium junkie.

Divimor
Pleasure-enhancing extract which has been very popular amongst unit trust companies and pension fund managers. But manufacturers are being forced to cut output because of a shortage of ingredients. Addicts could face some rather nasty withdrawal symptoms.

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MARKETS

London

And now for yet another sterling effort

by Maggie Urry

To Mr Roger Gibbs, chairman of Wellcome Trust:

Dear Mr Gibbs, I hear you are looking for someone to manage the £2bn-plus cash you raised this week when you sold 270m of your Wellcome shares. I would like to apply for the job. Perhaps I should tell you the way I am thinking about the stock market just now, and give you some idea of how I would invest your money.

I know you want to increase the yield you get on your investments so that you can spend more on medical research. I understand you are planning to put £500m or so into an indexed fund to start off with, and hope to get about 40 per cent of the cash into equities over the next nine months. You will be putting the rest into fixed-interest stocks. Then, I hear, you are looking to have about 80 per cent in shares two years from now.

Well, I have to say I cannot see out two years at the

moment. My horizons have got rather shorter of late. In fact, I am not sure I can see anything beyond the next few months.

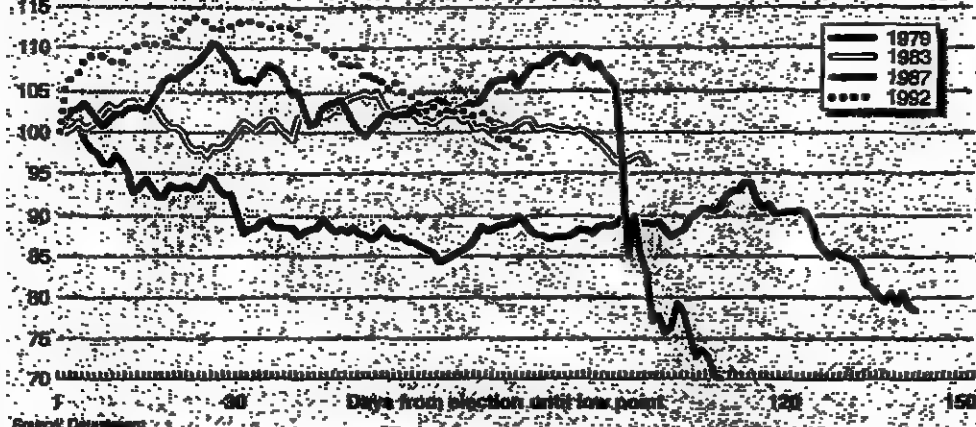
It strikes me that the recession is turning even nastier. Look at the man in the street. House repossessions are still bad and mortgage arrears are rising, so where does that put the consumer-led recovery? The CBI survey this week showed that companies are not cheerful, either.

Everyone thought that company chairmen would be making more optimistic noises over the next few weeks as they announced their interim results. But, already, we have had some gloomy remarks.

Take ICL. Sir Denis Henderson is a clever chap. He managed to get his own share price up by saying he was thinking about demerging the business. At the same time, though, he hit the market with news that profits were down and would have been much worse but for the redundancies his company has made. Trading is still weak, he says, and he cannot

Post election blues

FT-A All-Share Index released



predict the end of the recession.

And listen to what the banks are saying. Midland and Lloyds both reported figures this week. Although both debts are down a bit, activity is at a low level. New loans are not being made at anything like the rate which would suggest that companies are beginning to expand again.

Now look at the equity market. It has been falling pretty well non-stop since post-election euphoria ran out in May. True, it did bounce for a couple of days this week and reached 2,432.2 on Wednesday. But, by last night's close, the Footsie was back under 2,400 at 2,399.6, only 22.4 up on the week.

The rally on Tuesday and Wednesday was down partly to your putting some of that cash into the market. Wall Street was going up, too, which always helps. And, on Wednesday,

BAT Industries announced a big rise in earnings. I would not read too much into BAT's profit increase, though; much of it was just recovery from the dreadful losses it had made on its mortgage indemnity insurance.

So, I reckon that rally was just a brief respite in the downward trend. I have to admit here that I got that idea from Nick Knight, the Nomura strategy guru. He was right to be bearish when most of the other stockbrokers were trying to get people to buy shares after the election. Now that the others have reduced their forecasts for the market, he has cut his again.

He has worked out that, in each of the past three election years, the market has fallen quite sharply from a post-election high. The average fall is 21 per cent. And, so far, the Footsie has fallen only 12 per cent from the high in May. So, he says, it would have to go down to about 2,150 just to fall by the average. What would drive the market down that far, you ask? Well, Nick thinks the UK is heading for a sterling crisis (you remember them, we used to have them regularly before the pound went into the European exchange rate mechanism).

Sir Denis of ICI and Brian Pearce at Midland Bank both put in their car on Thursday, saying we should devalue sterling in the ERM and then interest rates could come down. Sir Kit McMahon was saying much the same thing in the *Financial Times* 10 days ago and he used to be number two at the Bank of England, so he ought to know. It gets rather hard for the government to maintain

any credibility for its stance on the exchange rate when top people are saying that sort of thing. And Norman Lamont does not seem to be doing a great job as chancellor of the exchequer in calming fears. Indeed, some say he is so relaxed he is horizontal.

The foreigners who buy and sell sterling may well think the time is right to get out. In the end, that could mean higher UK interest rates, not lower, and then the recession will turn into a slump.

If the government is forced into abandoning its zero inflation target - and the sooner the better, I say - then your long-term plan to be in equities looks a good one. But I am a bit worried about your keenness to buy gilt-edged stock at the moment, though.

I realise I am on tricky ground here, as you know all about gilts from your time running that discount house Gerard & National. But the government is going to have to issue an awful lot of gilts this year, and if sterling came under pressure and interest rates had to rise, I do not think that gilts would do terribly well. Anyway, you can get pretty much the same rate of interest by putting the cash on deposit, or by buying gilts issued by other governments. I hear the French ones are quite attractive.

I expect you would like to know what my track record is as an investor. I have to confess my investment in residential property is not doing too well. On the other hand, the cash I have in the building society is as safe as the houses it is lent out.

I look forward to hearing from you.

Serious Money

Why it pays to cut back a mortgage

By Philip Coggan, Personal Finance Editor

THE AVERAGE Briton is saving, not spending, and reducing his debts, according to the statistics. This shows a lot of sense. With interest rates at 10 per cent and inflation under 4 per cent, real returns are over 6 per cent, very high by historical standards. Unemployment is rising and people are afraid of losing their jobs; all this makes it a good time to save and a bad time to borrow.

Many people, of course, are struggling to meet their present interest payments. But those fortunate enough to have savings should, apart from paying off such obviously high-cost debts as credit cards and overdrafts, not neglect mortgage repayments as a way to improve their finances.

There is generally little point, tax distortions apart, from having borrowings and savings simultaneously. Obviously, you should have some "rainy day" savings to meet unforeseen bills and spending on holidays or a new car. But it is highly unlikely you ever will get as much interest on your savings as you will pay out on your borrowings. This is especially true now as building societies seek to widen the margins between savers and borrowers.

What is more, the income from your savings normally will be taxable whereas the interest payments on your loan (except the first £30,000 of a mortgage) will not be tax-deductible. The result is a hefty net loss to you.

Take someone with a £25,000 mortgage who is paying a rate of 11 per cent. He is a top-rate taxpayer who also has £10,000 in the building society earning 10 per cent gross - a net rate of 6 per cent. If he took £5,000 out of the building society to pay down the mortgage, the resulting loss of interest income would be £500 a year. But the mortgage interest saving would be £250 a year, a net annual gain of £250. For a

basic-rate taxpayer, the annual gain, on the same assumptions, would be £175.

Now, some might claim they can do better with their savings than simply leaving them in the building society. But they would have to achieve a gross return of 14.67 per cent (if a basic-rate taxpayer) or 18.33 per cent (if top-rate) to make it cost-effective not to repay their mortgages at 11 per cent. How many investors can be confident of doing so well?

Besides which, the beauty of paying down your mortgage is that it can be a virtuous circle. The monthly reduction in the interest bill gives the investor greater scope for saving - which can lead to further mortgage repayments.

The days when it was smart to take out a big mortgage are over

There is one important caveat. The lender might impose penalties or waiting periods on partial redemptions - and will almost certainly do so if you have a fixed-rate mortgage. The penalties might outweigh the benefits of repayment, so check with your lender and do your sums before you send off the cheque.

The calculations become more difficult once you deal with repayments of mortgages under £30,000. In the past, it has often been stated blithely that such a loan is cheap borrowing and represents a "good thing" for everyone. But the abolition of higher-rate tax relief has weakened this argument.

The effective cost of an 11 per cent mortgage to a taxpayer is 8.25 per cent. You certainly should be able to beat that return in a Tessa (although your investment will

be limited to £3,000 a person in the first year and £1,800 thereafter). The zero preference shares of investment trusts also should offer a better return (although it will all come in the form of capital gain). An equity investor might hope to beat an after-tax return of 8.25 per cent a year although he could not be certain. But it is hard to think of an investment that will bring an investment benefit equivalent to an 8.25 per cent tax-free monthly income, which is the effect of paying down the mortgage.

Nor is the money used to repay a mortgage lost for ever. The investor can always "gear up again" by increasing his mortgage loan next time he moves house, or even by re-mortgaging. Repayment also increases your equity in your home - and, thus, your security - in the event of further falls in house prices.

Mortgage repayment also could bring extra savings flexibility. If a borrower has used an endowment policy or some other savings vehicle, as security for the loan, it is now free to perform some other task such as school fee funding or retirement planning. Alternatively, the policies can simply be left as potential security for the home-owner's next move up the housing ladder. You certainly should not abandon an endowment policy in mid-term - that would be a surefire way of losing money.

The days when it was smart to take out a big mortgage as possible, and wait for inflation to erode the cost, are over - at least until the next housing boom in the 21st century. Indeed, it could be very difficult to "get rich quick" over the next few years, whatever your chosen method of investment. Paying off part of your mortgage will not make you rich, but it could prove to be astute money management - and a simple way to improve your standard of living.

HIGHLIGHTS OF THE WEEK

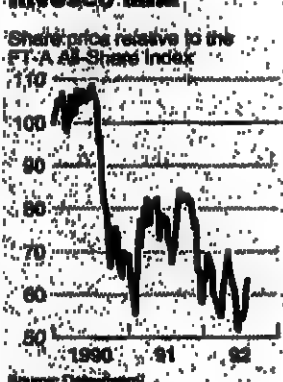
| | Price | Change | 1992 | 1992 | |
|-----------------|--------|---------|--------|--------|--------------------------------|
| | ft day | on week | High | Low | |
| FT-SE 100 Index | 2399.6 | +22.4 | 2737.8 | 2348.0 | Wall Street recovery |
| AB Electronic | 70 | -7 | 103 | 58 | IT share speculation |
| Airtours | 242 | +18 | 337 | 203 | Holiday bookings surge |
| Amstrad | 25½ | -3 | 44 | 23 | Adverse press comment |
| BOC | 597 | -41 | 734 | 596 | Dollar worries/downgrade |
| BP | 212½ | +5½ | 304 | 196 | US buying |
| Clifford Foods | 403 | -55 | 519 | 400 | Company's profit warning |
| Euro Disney | 975 | -120 | 1693 | 885 | Disney/Airtours cancellation |
| Gulmans | 536 | +18 | 644 | 504 | EC excise duty ruling |
| Hammerstein A | 216 | -42 | 603 | 212 | Covenant worries/BZW downgrade |
| ICI | 1163 | +85 | 1410 | 1088 | Demerger plan |
| Laureo | 133 | +16 | 283 | 112 | Maintained in good figures |
| Northern Foods | 546 | -34 | 635 | 496 | County trim profit forecast |
| Tate & Lyle | 298 | -27 | 443 | 287 | Overcapacity in US sweetener |
| Wilson Bowden | 283 | -19 | 481 | 260 | Housebuilding outlook bleak |

AT A GLANCE

Mortgage arrears



Invesco MIM



Underlying problems worsen in the housing market

The underlying problems of the housing market are getting steadily worse and mortgage repossessions are set to run at alarming levels for the next few years. That was the bleak message from the Council of Mortgage Lenders this week. Although the number of homes repossessed in the first half of this year was slightly down, the figures for people with serious mortgage arrears are rising sharply. The number of people with mortgage arrears of more than 12 months has tripled since the end of 1990 and now stands at 113,860. A further 191,280 borrowers are more than six months behind with their mortgage payments. Even if half are saved, as the CML hopefully predicts, it now seems certain that repossessions could continue to run at around last year's level of 75,540 or more for the next two or three years.

Stevens in Invesco MIM move

Lord Stevens has resigned from his post of chief executive at Invesco MIM, the fund management group formerly known as MIM Britannia. He will continue as chairman until next April. Invesco MIM has been dogged by adverse publicity over its role as a manager of Maxwell pension funds and over the problems of one of its investment trusts, Drayton Consolidated. The new chief executive will be Charles Brady, who built up Invesco's US operations.

Scottish Amicable policies launch

Scottish Amicable has launched an ambitious range of critical illness and income replacement policies. This is an unusual step from a mutual Scottish office best known for its investment products, and suggests that competition in the area could broaden further.

The critical illness policy will pay out for heart attacks, strokes, cancer, paralysis, coronary artery disease requiring surgery, blindness, major organ transplants, kidney failure, multiple sclerosis, and total permanent disability to engage in any remunerative employment. The income protection plan has special benefits for relapses, and proportionate benefits for rehabilitation periods.

Actuaries offer advice service

Chaninoy Financial Services and Wolanski & Co., the consulting actuaries, are offering a fee-based advice service for trustees and managers of final salary pension schemes. This is aimed particularly at those who have been made redundant, or are leaving for other reasons. The service will include an explanation of retained benefits, a concise explanation of the options available, and an opinion on whether a transfer would be in the member's best interests. The fee is £250 plus VAT per report per pension scheme member, and retainer fees are also possible.

Smaller companies fall again

Small company shares fell again this week with the Hoare Govett Index (capital gains version) dropping 1.2 per cent to 1078.91 in the seven days to July 30 and the County Index dropping 1.4 per cent to 857.62 over the same period.

Wall Street

Eager buyers ignore vote of no-confidence

WHO WOULD have thought it? Just as Wall Street was settling down for its annual summer slumber, and the red braces brigade were dreamily contemplating a month of quiet weekdays and long lazy weekends in the Hamptons, share prices took off this week in a frenzied orgy of buying not seen since the first days of the year.

In just two days, the Dow Jones Industrial Average jumped almost 100 points while the Standard & Poor's 500 index, the broadest measure of the market's performance, rocketed to an all-time high. And, after more than a week of light trading turnover - when it seemed many institutional investors had all but closed their books for the summer holidays - volume roared to extremely high levels as investors rushed into the market in the hope of catching the rapidly rising tide of prices.

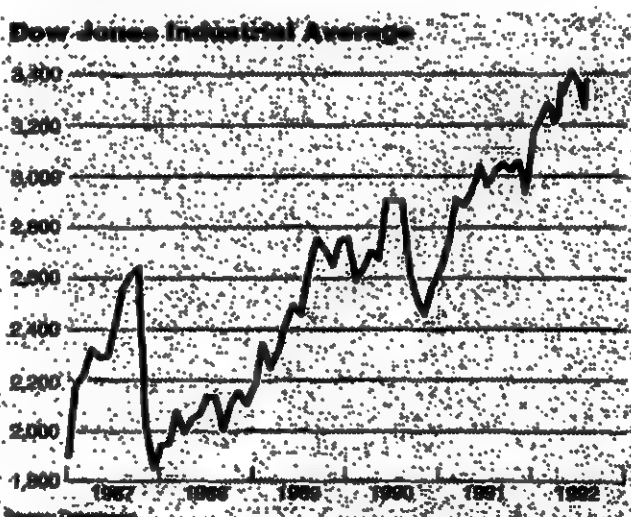
Oddly enough, the spark that lit the fire under stocks was a report of a sharp drop in consumer confidence. On Tuesday morning, the Conference Board announced that its

index of consumer confidence plunged 11.6 points in July to 61.0, a decline that stunned analysts who had been expecting little change.

The stock market did not respond directly to the confidence numbers but, rather, to the reaction the figures triggered in the bond market. After months of refusing to push long-term bond yields lower because of fears about the outlook for inflation and concern about the size of the budget deficit, Treasury investors reacted to the consumer confidence report as if they had been struck by a mini-earthquake.

And heavy buying of longer-dated government securities, the yield on the benchmark 30-year bond finally dropped below 7.5 per cent after six months of hovering between 7.75 and 8. By yesterday, the 30-year was yielding just over 7.4 and still heading south.

In a moment, the bond market's inflation and deficit worries seemed to have disappeared. It might seem premature to pass such a judgment after



only a two-day rally, but Treasury market analysts claim that after the dreadful June employment report, a series of weak economic indicators out last month, and now the plunge in consumer confidence, investors suddenly have realised that inflation may not pose a threat to the value of their fixed-income assets for at least another year.

Equity investors were delighted at this sudden turnaround in Treasury market sentiment. For most of this year, the Federal Reserve, the Treasury, the White House, Wall Street economists, and almost anybody else with an opinion, have been complaining that stubbornly high long-term interest rates were one of the main reasons why

the economic recovery was so sluggish.

The reasoning among those who were rushing into stocks this week was that if long rates are now finally coming down (and, more importantly, staying down), there is a compelling new reason to buy equities.

This assumes, of course, that substantially cheaper long-term credit will prove to be the effective economic stimulant the Fed and the White House have said, all along, it would. Lower long rates should stimulate all interest rate-sensitive investment, further ease the burden on corporations and consumers for their debt repayments, and bring down mortgage rates.

The economy is certainly in need of fresh life, judging by the latest gross domestic product figures released this week which put second-quarter GDP growth at 1.4 per cent, half the pace of the first three months and well below the growth rate seen traditionally after a recession.

While the economy stuttered in the second quarter, some of the country's biggest corpora-

tions fared better. The giant car manufacturers began releasing their latest results this week, and the news was good.

Chrysler kicked off on Tuesday with net earnings for the April-to-June period of \$178m - not much of a return on sales and revenues of \$9.3bn but a big improvement on the \$215m loss incurred at the same stage last year. Ford followed the next day with a similar rebound, reporting net earnings of \$502m compared to a year-ago loss of \$324m.

The market greeted both sets of figures warmly, pushing Chrysler's stock 8½% higher to \$21¼ and Ford 6¼% higher to \$45½ over the week. General Motors' stock also rose in sympathy, and the final of the big three should be releasing its second-quarter earnings within the next week or so.

Patrick Harverson

| | | |
|-----------|---------|---------|
| Monday | 3282.2 | - 8.51 |
| Tuesday | 3304.07 | + 61.87 |
| Wednesday | 3379.19 | + 45.12 |
| Thursday | 3391.89 | + 12.70 |
| Friday | | |

The Bottom Line

BT ebullient after disappointing results

FOR A company which reported its first quarter decline in sales since 1984, coupled with a 27.8 per cent decline in pre-tax profits, BT was in a surprisingly ebullient mood this week.

It was as if the telecommunications company was relieved to report a fall in profits and sales after running into so much criticism in the past for its unseasonably profit increases. However, it was not the avoidance of political criticism that relieved BT. It was the fact that the results could be used as further proof that the present regulatory regime is tough enough.

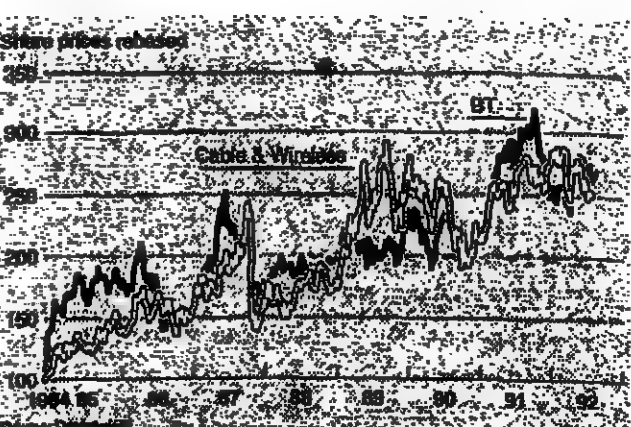
Ofel, has told BT to cut the price of a basket of its basic services each year by inflation minus 7.5 percentage points, compared with 6.25 points at present. The company has also been told to ensure small retail cus-

tomers share in the price cuts. BT's believes its first quarter results, which saw pre-tax profit fall from £225m to £239m on sales of £3.27bn, down from £3.34bn, shows that the company is having a hard enough time under the existing price regime.

BT's shareholders no doubt see the point. A comparison of its shares with those of Cable & Wireless, the international telecommunications group, relative to the FT-Allshare over the last eight years, shows BT's shares underperforming those of its rival.

Mr Iain Vallance, chairman, said the proposed price regime was "extremely tough by any standard", and many of the detailed provisions would add to the proposals' negative impact on BT.

If BT fails to agree with Ofel, the only course available to the company is to allow the matter to be referred to the



Monopolies and Mergers Commission. Both BT and Ofel have recently talked privately about doing so. The MMC has the power to impose a solution. However, given that as BT and Ofel have threatened to go to the MMC several times in

the past, the present dispute seems to point to the two sides' tough negotiating stances rather than a total breakdown of talks.

What is clear is that Ofel, in spite of BT's disappointing result, will not negotiate over its price regime. It points out

that it is not due to come into effect until August next year and then it would remain unchanged for four years.

Furthermore, while BT's results showed the effects of the recession, particularly on inland call volumes which fell by three per cent over the past three months, the profits were affected by non-recessionary factors.

There was the exceptional charge of £135m mainly relating to the loss on its divestment of its interests in Mitel Corporation, the troubled Canadian telephone equipment maker. Then there was £66m of redundancy costs relating to the voluntary retirement of 29,000 people.

BT has decided to cut its workforce down to a size comparable with its competitors in the US. At the beginning of the financial year, the workforce was 210,500. By 1996 the figure could be reduced to 120,000.

It was no surprise to many telecommunications analysts that BT decided to speed up the process in the run-up to the new regulatory price regime.

It did not go unnoticed at Ofel that BT's cost cutting exercise, which affected this quarter's results, will increase the company's profitability in the future. As far as Ofel is concerned BT's results showed a very healthy and robust telecommunications company performing well in a recession.

Instead of asking how BT would fare under a tougher regulatory regime, it poses a different question.

"Just think how BT would fare if there was no recession?" By next August 1993, when the proposed regulatory price regime is due to come into effect, the cause of the recession may be over.

Roland Rudd

FINANCE AND THE FAMILY

Equity risks put damper on prospects

Philip Coggan surveys investment potential in world stock markets

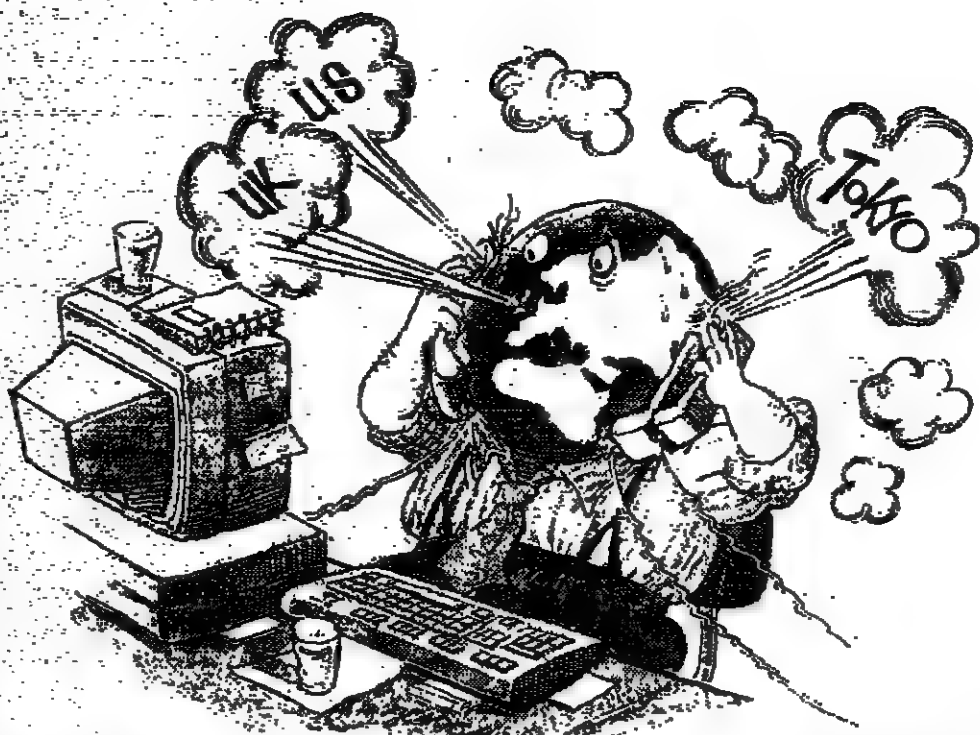
HOW SAFE is it for private investors to risk their money in the world's stock markets? There was some cheer this week when the FT-SE 100 rose nearly 50 points on Wednesday. But the UK market has fallen substantially over the summer, the Japanese market has been in retreat and the US market, although strong, is trading on valuations that would deter many British private investors.

Some think that the world economy is facing one of its deepest periodic crises. Economist Andrew Tylecote spells out the arguments in another article on this page.

The bears claim the excesses

of the 1980s are having their repercussions now. Companies and consumers are struggling to pay off debt, as a result economic growth is sluggish. The problems are widespread. In Japan, the Tokyo market is now 80 per cent below its peak at the end of 1989. Each time foreign investors have proclaimed that the bottom has been reached, the market has proved them wrong. Successive interest rate cuts, including one this week, have failed to produce a revival.

Late in the 1980s, many Japanese stocks commanded stratospheric price-earnings ratios with the market p/e reaching 62 at the end of 1989, according to Datastream. Even after the



recent collapse, the ratio is still over 30, well above the level prevailing in the UK.

There have been repeated worries that the fall in share prices would cause problems for Japanese banks, which have large equity holdings. Given the role that Japanese

investors play in the international financial markets, a banking collapse in Japan could have major repercussions on the world economy. "You would have to observe that the risk of a major financial dislocation rooted in Tokyo is higher today than ever before," says Nick Train of GT Management.

Even the Japanese economic miracle is looking tarnished, with only 2 per cent GDP growth expected for the year - low by historical standards.

Britain: Despite this week's mini-rally, the post-election euphoria has definitely worn off. Traders assumed that the return of John Major to Downing Street would restore consumer confidence and spark recovery. Instead, the chances are that 1992 will see a further decline in GDP.

Meanwhile, the government's options are limited severely. Chancellor Norman Lamont has stated again and again his commitment to membership of the Exchange Rate Mechanism and the present central rate of DM2.95/E. With the Bundesbank determined to eliminate the inflationary effects of German reunification, that gives him no scope to cut British interest rates.

The other classic mechanism for reviving an economy, fiscal policy, is constrained by a budget deficit already close to £30bn for the present year.

United States: Although Wall Street has flirted repeat-

edly with its all-time high, the economy has struggled to live up to the stock market's optimism. Successive reductions in interest rates have produced only weak economic growth, as shown by the 1.4 per cent second-quarter rise in GDP. But with short-term interest rates not much over 3 per cent, equities still look attractive vis-à-vis cash. "US stock prices reflect the most favourable monetary conditions that have existed for 30 years," says Bill Smith, equity strategist at BZW.

With the p/e ratio above 20, some feel that the US market is vulnerable to bad news, such as a defeat for George Bush in November's election. In view of all these risks, many cautious investors may feel safer sticking with the generous real returns available from the building society, gilts or national savings.

Hardened contrarians may feel that, with all this gloomy news around, this must be a good time to buy shares. Certainly, the FT All-Share is yielding more than 5 per cent at the moment, a traditional sign of value in the equity market. BZW's Smith is looking for lower interest rates and earnings growth in the UK over the next year. But with the risks so high, only brave investors would plunge into the equity market. Cautious contrarians might try the safety-first method of investing via a monthly savings scheme.

The downswings that should worry us all

ONE OF the phrases spoken most often during the recession is "What goes down must come up." But how far down, and how soon up?

The optimistic assumption is that we are in a short cycle recession of 10 or 11 years, so that we are repelling the recession of the early 1980s and will have another mid-to-late decade boom before long. Unfortunately, there is good reason to think that there are also two longer cycles at work.

The first, the downswings of which are nasty enough on their own, is the Kuznets or long swing, some 18-19 years in length. The long swing is notable for movements in land prices and in building and credit. The upswing encourages land speculation, driving up asset prices and producing a bubble of over-expanded borrowing. When the bubble bursts, there is a very sharp contraction of credit.

Growth can resume only after a painful sequence: a long fall in land and asset prices; the return to health of corporate and personal balance sheets; and, finally, the return of confidence.

The last Kuznets downswing began with the crash of 1973-74, and the early 1980s certainly resemble the mid-1970s in the land and financial markets - with one important difference. Then, inflation brought borrowers' real debts down quickly and land prices back up, so the upswing could resume. There is no reason to expect such a foreshortening of the downswing this time. But this downswing, like the last, will take place within the same downswing of the Long Wave.

The Long Wave, or Kondratieff cycle, is a matter of more debate. Many economic historians deny its existence altogether. But there is an ominous resemblance between the slowdown in world growth since 1974 and that of the interwar period.

Both long-wave downswings began with an international crisis (1914 and 1973) which dealt the first blow. Meanwhile, a technological revolution was nearing completion

which, for a time, enabled one leading nation - the US then, Japan now - to drive forward while others were faltering.

The early diffusion of the new "technological style" helped to stimulate growth during a Kuznets upswing (mid-to-late 1920s, mid-to-late 1980s) but it exacerbated a dangerous trend to inequality.

This was manifest internationally. The technological leader became creditor to the world, and the poorer countries got mired in a debt crisis. It was also developing domestically, with the rich getting richer and the poor poorer.

"When the rich get too rich, and the poor too poor, something happens," as the Chinese proverb says. Demand becomes insufficient for the rich do not spend as much of their income as the poor. Even the rich suf-

fer from the poor's inability to buy what they sell.

Second, the suffering of the poor affects the supply side. Poor countries cannot afford to keep up their previous rate of investment, nor can poor people invest in education, training, and even physical and mental health. Growth slows, unemployment increases, and the inequalities grow worse.

The effects of these increased inequalities were delayed internationally by the recycling of oil revenues after 1974, and domestically in Europe and the UK by the deregulation of credit in the 1980s. In both cases, it was a bargain of Faust: when it was time to pay, the devil charged double.

The third world and eastern Europe have been in stagnation and crisis since the early 1980s; now is the turn of the weaker northern countries.

Here, internal debts and external deficits intersect. Governments which want to relate their economies can scarcely do so because of the effects on

Weaker northern countries now face stagnation and crisis

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Japan's trading partners will see their deficits rise further and their activity levels fall. If the implosion causes a massive withdrawal of Japanese funds, their financial systems will be gravely weakened.

It is only the reaction of trading partners which will inflict real pain on Japan's main decision-makers and drive them to fundamental restructuring.

Meanwhile, the agony of the double downswing will be compounded. The Kuznets downswing eventually will work itself out naturally; but to end the Long Wave downswing will require fundamental reforms. What they should be is another story.

Andrew Tylecote

Andrew Tylecote is a senior lecturer in the department of economics, Sheffield University management school and author of *The Long Wave in the World Economy* (Routledge, 1992, £10).

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

| Company | Sector | Shares | Value | No of directors |
|--------------------|--------|------------|-------|-----------------|
| SALES | | | | |
| BWD Securities | Onf | 40,000 | 22 | 2 |
| Courage Furnishers | Stor | 44,000 | 143 | 3 |
| Dejcora | Prop | 80,000 | 85 | 1 |
| Dunhill | Stor | 15,703 | 87 | 1 |
| Headline Book | Med | 3,700 | 16 | 1 |
| Marling Ind (NPD) | Onf | 11,942,872 | 80 | 1 |

| | | | | |
|------------------|-------|---------|-----|---|
| PURCHASES | | | | |
| Alexon | Stor | 30,000 | 59 | 2 |
| Ashley (Laura) | Stor | 17,900 | 15 | 1 |
| Berkley Group | C&C | 60,000 | 134 | 2 |
| Chrislie Group | SuSe | 50,000 | 15 | 1 |
| Electro Prop | Prop | 20,000 | 14 | 1 |
| General Electric | Elec | 17,235 | 38 | 2 |
| Haggis John | Text | 30,548 | 32 | 2 |
| Lyles (S) | Text | 13,300 | 12 | 1 |
| Morland & Co | Brew | 15,000 | 45 | 3 |
| North Five Foods | FDI | 86,126 | 29 | 5 |
| Property Sec IT | Prop | 30,000 | 25 | 1 |
| Shaw (Arthur) | Edite | 350,000 | 157 | 1 |
| Sitting Group | Text | 180,000 | 48 | 2 |
| Tarmac | Edite | 200,000 | 149 | 1 |
| Ulsome | Edite | 100,000 | 16 | 1 |
| Whewy | EngG | 100,000 | 14 | 1 |
| Willis Corroon | InsB | 6,150 | 17 | 2 |

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (7) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 30-04 July 1992.

Source: Directors Ltd, Edinburgh

Directors' transactions

AT LAST, directors are showing their true form. With the market seemingly in inoperable retreat, a surge of buying by directors was long overdue. In the week of July 20-24, it duly arrived - in emphatic fashion.

Sir Anthony Bamford, of the privately owned JCB Group, has long been a fan of Tarmac. As a non-executive director, he has been buying shares since last October when he paid 180p. His latest purchase, at just 70p, comes after a period of considerable uncertainty for the building materials sector.

John Haggas, the textile group, appears to have emerged from recession rather earlier than most manufacturing companies. In July 1991, finance director Martin Scrymgeour and Steven Barker bought shares at 58p. The same two have been buying again, this time paying between 104-106p.

Angus MacDonald, Directors Ltd

ence

ed better. The giant manufacturers began their latest results, and the news was

er-kicked off on Tuesday. Earnings for the first period of 1992 were a return of 29.3p, a 10 per cent improvement on the 26.5p of the previous year. Ford's next day with a second, reporting net of £40m compared to a loss of £30m. The market greeted both figures warmly, pushing the stock 50p to £21.10, and Ford's 50p to £13.50, over the week. Motors' stock also sympathy, and the big three should be in its second quarter within the next week.

rick Hurverson

32824 4.31
133107 11.97
32710 12.12
33810 12.10

lts

no surprise to many that the decision to open a new office in the city of London was a significant move for the company.

not only a sign of confidence in the company's future, but also a reflection of the growing importance of the city of London as a financial hub. The decision to open a new office in the city of London was a significant move for the company, and it is expected that this will lead to a further increase in the company's revenue and profits.

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*Source: BZW Investment Trust Service (1st May 1992) based on mid-market price.

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FINANCE AND THE FAMILY

So you want to set up a trust...

Caroline Garnham explains how they work and their varied uses



A Mutual Friend

FOR MANY, a trust is an alien concept shrouded in legal mumbo-jumbo. But a trust can be used effectively to overcome many complex practical problems to avoid tax legitimately, in Britain and elsewhere and preserve and protect wealth.

The box shows the many and varied uses of trusts. Although their purposes may differ widely, the basic principles and rules governing them are more or less the same.

There are three parties to a trust: the settlor, the trustees, and the beneficiaries.

The settlor is the person who transfers property to the trust, either outright or by will. The trustees are the people who manage the trust property for the benefit of the beneficiaries.

The role of the settlor, whether a munificent grandfather or a reluctant employer, is to provide the funds and dictate his or her wishes via the trust deed.

Before setting up a trust, you must know why you want to do so; who should benefit, even in unusual circumstances such as family members dying out of chronological order; the work, obligations, and functions of the trustees; the scope of the trustees' investment powers (even if not immediately exercisable); and the scope of their liability.

Certainly, you should never sign a trust deed for which you have not given instructions or do not understand the contents. It is also not advisable to allow your trustee to draw up a trust deed for you unless you are advised separately. Trustees are concerned to limit their liability, whereas your concern is to keep the trustees on their toes. There is, therefore, a conflict of interest.

As a settlor, you should also be clear in your mind before starting about the consequences of setting up a trust.

The settlor and tax

The two taxes of which you should be most wary are capital

gains (CGT) and inheritance tax (IHT). CGT is chargeable on a gift, regardless of how little or how much is transferred. The gift is calculated according to the market value of the funds being transferred. But there are exceptions and deferrals depending on:

1. Your status as the settlor. If you are not resident in the UK, you will not have to pay CGT. If you are resident but not domiciled, tax is not payable if the assets transferred are physically outside the UK at the time they are transferred into the trust.
2. What property is being transferred. There are exemptions for heritage or business property, and for a main residence.
3. IHT is not usually payable on lifetime gifts unless you die within seven years. There is, however, an important exception: IHT is payable if property is put into a discretionary trust, other than an accumulation and maintenance trust, even if the trust is offshore.

A discretionary trust is one where the trustees are allowed to pay the income to one or more people and/or when the trustees can accumulate the income. An accumulation and maintenance trust is a form of discretionary trust but it is different for IHT purposes so long as certain conditions are met. One is that all the beneficiaries must be under 25.

The 1992 Finance Act introduced two important exemptions to IHT for business property and agricultural property, which now attract 100 per cent relief.

■ Finding a trustee

As a settlor, you choose the trustee. A good trustee is usually someone who is not only skilled at managing the trust assets but would take a keen interest in the well-being of the

beneficiaries. So, it is advisable for trustees to have regular meetings to discuss the needs of the beneficiaries and the state of the investments.

Virtually anyone can be a trustee, including the settlor and their spouse. In some cases, it will be necessary to appoint a professional trustee. You should ask them not only what their professional qualifications are for managing the trust fund but how they would keep in touch with the needs and circumstances of the beneficiaries.

'Unless the deed provides for it, trustees cannot expect to be paid'

The duties of trustees are determined by law and the trust deed. But, briefly, they have a duty to manage the trust with as much care as an ordinary prudent man of business would use in the management of his own affairs. They also have a duty to pay the right sum to the right beneficiaries. If they mismanage the funds and make a loss, or pay the wrong amount to the wrong person, they could be forced to make up any shortfall from their own pockets.

Unless there is a provision within the trust deed, they cannot expect to be paid for their services.

The trustees are also liable for the tax on the trust fund. The amount depends on several factors including what type of trust it is; whether the settlor is also a trustee; whether the trust can be revoked; whether the children of the settlor can benefit; and what ages they are; where the trust is resident, etc.

The tax system in the UK is well defined and clear, albeit somewhat unexpected on occasions. For example, if you set up a trust offshore and remain non-UK domiciled, the trust will be free of CGT and IHT provided the fund is kept outside the UK.

The situation becomes more confused when trusts are used by people in countries which do not understand the concept of a trust. More and more people are trying to take advantage of this confusion in their home country, as a result, trusts are now being set up by residents of European countries and elsewhere as part of local tax-planning schemes.

■ Beneficiaries

If you are a beneficiary, you have probably the least active and most rewarding role in the trust. Apart from a right to call for information about its administration, and to sue the trustees for breach of trust, you need do little except wait until the money comes in. Invariably, tax is not payable, unless you also are the settlor, until the money is received.

If there is some flexibility in

the trust, it might be possible to defer receipt of your share until you are non-UK resident so that tax can be avoided. But before embarking on any such scheme, you should first check to see whether, by saving British tax, you do not fall foul of another country's tax regime as a result.

■ Legal status of trusts

A trust is very different from any other legal concept. It is not a separate legal entity. Like a company or a Lichtenstein foundation, nor is it based on the law of contract. In countries which do not understand the legal concept of a trust, like Switzerland, the rights of a beneficiary can be difficult to enforce unless the trust is expressed to be governed by a law which recognises trusts, such as UK law.

The trust is also a different legal concept from that of agency. If I give you my property to sell as my agent, I can at any time cancel this arrangement and demand my property back. The same is not true of a trust.

The main difference between a trust and an agency is that the trustee owns the property legally, even though he does not own it for himself. It is important, therefore, that where a trust is used to avoid tax, the settlor is not seen to create an agency by controlling the trustees.

■ Caroline Garnham is a tax and trusts lawyer for the City firm of Simmons & Simmons

Minding Your Own Business

Boats for all seasons

PETER Freebody's cavernous and dusty shed on the Thames at Hurley, with its cobwebbed corners and persistent croppers poking through the wooden planking from the mass of undergrowth outside, is hardly a microcosm of anything. But in this tiny, old-fashioned corner of British industry, where Freebody makes and restores fine, hand-crafted wooden boats, the distinct whiff of Britain's recession mingles with that of the varnish his workmen use on the rich mahogany and teak decking.

The hull of a 50 ft steam launch owned by businessman Peter de Savary lies forlorn in the shed, all restoration stopped by one of the most prominent but now hard-pressed entrepreneurs of the Thatcher years. The new superstructure of another launch, built in 1912 and now being re-timbered, rests in another corner. The owner, a Midlands businessman, is short of the cash to complete it. What remains of a pre-First World War racing motor-boat waits for its purchaser, an engineering company director in Wiltshire, to start producing the money for rebuilding.

When well-heeled individuals feel the recessionary pinch, expensive toys usually are the first things to get the elbow. "It's a wonder we have managed to keep our team together," says Freebody, 57. "Last year was very tough." So tough that the company lost £30,000 on a yearly turnover that normally reaches about £50,000. The manual labour force has shrunk from 28 to 18.

He reckons the worst is over, though, partly because he is hoping for new boat orders from at least three US businessmen. The company's habits are also changing for the better. Freebody, who clings to a rather romantic view of business life, says he appreciates the need for improved practices. "For one thing, I have realised that our accountant has really been just an auditor. I accept that all kinds of things have to be done more professionally here in the way we cost and charge for work."

The family has built boats on the river for more than 200 years and Freebody bought the present company - near the rowing town of Henley, Berkshire - from his grandfather in 1962. But purpose-built it isn't. "One shed, a US lend-lease one, was given to me and the other shed was bought for £500," he says. Part of the yard's office is a former boat house and some of the roof came from an old jam factory. He will repair a leaking propeller shaft for under £100 and makes punts for just over £2,000. But he also produces marvellous Edwardian-style electric launches for perhaps £150,000, and steam launches for up to £300,000.

When the Andrews yard in nearby Bourne End, which was a style leader for classic slop-

though, "it was a barren year for new boat orders." So, much against the advice of his bank, NatWest, he kept the yard's work force busy building for stock.

"As it turned out, that has helped us keep afloat. I've sold in the last month £108,000 of vessels built for stock, though a lot of that was probably close to cost," says Freebody. This included an eight-seater electric "canoe" and a 30 ft launch. Last year, 60 per cent of the company's turnover came from repeat work, compared with 40 per cent in normal years. Hiring out mooring space and making rope lanyards for aircraft brings in a steady £60,000 a year.

Reducing the work force has eased Freebody's £250,000 wage bill. A new accountant, Aruna Boyland, says she is putting in systems to cost jobs properly, as well as setting up a proper system of billing. "In the past," Freebody says, "I have asked customers how they want to pay. Perhaps I'd bill them every £4,000 or maybe every £10,000 and we'd stop work for periods if they wanted a breather." Boyland says craftsmen there work as if it was a paid holiday rather than a proper job.

The company was upset a few weeks ago when - without warning, according to Freebody - NatWest told it to start slicing its £130,000 overdraft by £1,000 a week. But Freebody has potential orders for £200,000 of new boats including those three from the US, one of which is a large Edwardian-style launch for a senior manager in Cincinnati. Milacron, a machine tool company.

He points out, too, that wooden launches are good value. "They are often half the cost of a similar-sized glass fibre boat. They hold their value," he explains. They do need revarnishing, every year, though - which costs about £1,500.

What about turning to glass fibre? "I've absolutely no need to. People are going to go back to electric, steam, and wood."

■ Peter Freebody, Mill Lane, Hurley, Berkshire SL6 5ND. Tel: 0635-824-382.

Nick Garnett meets an old-fashioned craftsman

ing-back Thames slipper stern launches, collapsed a decade ago, Freebody stepped into the breach. "I realised there was still a market for boats like that." A 30 ft electric-powered slipper stern that simply oozes class will cost £28,000 (excluding VAT), and a 25 ft version £27,000.

The company uses Burmese teak, African and Brazilian mahogany, English oak and British Columbia pine for its hulls and builds everything from the keel up, including old-fashioned spoked steering wheels. About the only thing it does not do is the sign-writing.

The yard has the kind of ambience which, while looking efficient, entrances many a customer. It is the type of place where varnish is held in tins cans with the "plum tomatoes" labels still attached.

Last year, Freebody made a punt for Mrs Tiny Rowland, wife of Lough's owner, one of Virgin group tycoon Richard Branson, and two very small ones for an ornamental lake at the home of former Beattie George Harrison. Overall,

TRUSTS AND THEIR USES

- Preserving wealth. Large sums of money need effective management to provide income and capital growth. You might feel that your surviving spouse or child/children will be tempted to spend too much too quickly and not know how to manage money, how long to hold on to, or how to invest it for them.
- Controlling wealth - say, providing for a dependent during his or her life while also preserving the capital for others. For example, a trust can provide for a wife for life and, thereafter, for the children.
- Providing pensions for retired employees and their dependants.
- Facilitating investment through unit trusts. Trustees can buy holdings in several companies and invite the public to buy "units" or shares in the trust fund.
- Making provision for causes or non-human objects.
- Making a secret provision, such as for an out-of-wedlock child or lover.
- Enabling land to be held for people who cannot own it personally.
- Reducing tax in the UK and abroad.
- Protecting assets from creditors (but only if the trust was set up without this in mind).
- Avoiding the fixed succession rules of other countries.

Disposing of income

Q&A

BRIEFCASE

As a non-resident of UK domicile, I am aware of the desirability of changing income sources before my return to the UK. What is the position concerning those gilt-edged stocks which are tax free to non-residents and on the national savings register (interest paid gross)?

■ The basic reason for disposing of income-sources (and other chargeable assets, such as non-sterling bank balances) before the tax year in which one will become resident in the UK - again or for the first time, is to avoid any prospective Capital Gains Tax charge on gains which have accrued while one was non-resident. There is therefore no need to dispose of gilts, because they are exempt from CGT under section 11(1)(a) of the Taxation of Chargeable Gains Act 1992. For gilts on the national savings register, which are tax free to non-residents, the preceding year basis (under section 64 of the Income and Corporation Taxes Act 1988, in conjunction with section 47 of that Act) means that there will be no tax liability on the holdings for the first year of ordinary residence in the UK.

The studios landlord

My student son, having completed his BA, now intends attending another university for one year for his MA. If he

lets his house on a short-hold tenancy, what does he need to do to protect his position?

What tax relief can he claim (he now qualifies for the £30,000 mortgage interest relief)? What would be the tax position on any profit?

■ The solicitor who draws up the tenancy agreement will be able to guide you on the tax aspects of the letting.

If the house is let furnished, an arbitrary wear and tear allowance of 10 per cent of the rent will be given - as explained briefly in the free pamphlet IR87(1991), which should still be obtainable from local tax offices. Your son could also ask for pamphlet CGT14 (entitled *Owner-occupied houses*) from which you will see that the letting may not result in any prospective CGT liability on the eventual sale of the house. This again, is something which the solicitor will be able to explain in detail.

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Cost of coin collecting

A relative of mine has a coin which she acquired many years ago and has now been valued at in excess of £10,000. If she sold the coin, could she be liable for capital gains tax? I understand that sterling is non-taxable normally, but does this apply if the coin is no longer legal tender? She acquired the coin in pre-decimalisation days.

■ Yes, demonetised coins are within the scope of CGT. Your relative will find general guidance in the free pamphlet CGT14 (*Capital gains tax: an introduction*) which is obtainable from tax inspectors' offices. The free pamphlet CGT16 (*Unindexed allowance: disposals after 5 April 1988*) will also be helpful.

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HOW TO SPEND IT

Rituals of a truly British summer

Lucia van der Post with the latest ideas for the great outdoors

IN THE days when these things were taken seriously, gentlemen were out of town in the summer, or so the 19th century *Gentleman's Handbook of Etiquette* informs me. If he cannot afford to do so, he merely closes his window-shutters and appears to be gone.

Nowadays, such are the benefits of democratic capitalism, it is not only gentlemen who go out of town in the summer.

Whether it is Cowes or the Open, Goodwood or the Cumbrian Hills, Henley or the Scottish moors, the big outdoor events of summer attract everyone from the hot polo to tycoons and aristocrats.

August usually signals the start of the biggest exodus - what with Cowes,

the highlight of the year for the navy, and the start of the 10th and 11th centuries, the month when Scotland is often at its glorious best.

Those who are regular habitués at any or all of these events will need little advice or help for me. For almost all these tribal gatherings the rituals are long-established, the nuances of dress and behaviour long honed by convention and practice.

However, every now and again something new enters the field and even the most traditional and well-established of companies has to take fresh stock of its ranges. Here are just a few of some of the best and newest ideas around.



You too can be dressed to kill

BANKS MAY fold, pension funds disappear, company profits tumble but, judging by the activity among purveyors of traditional country clothing and accessories, taking pot shots at birds, stalking deer and casting for salmon goes on for ever.

Even now the keen shot is offing his gun, bringing his pit-pat out of the wardrobe and packing his bags, ready to head for hill and heather.

When it comes to clothing most aficionados know that the old names are the safest. They may safely put themselves and their needs in their hands, confident that in their clothing and accessories they will breach no rules, offend no etiquette.

At Holland & Holland, 31 Bruton Street, London W1, there has been a great deal of new activity since it was taken over by Chanel last year.

It has always had a good collection of traditional country wear but, this season it has its first own-label collection, all British-made, on sale.

As women shots are increasingly being allowed to do more on the moor than just see to the lunch, proper shooting clothing for women is a necessity and, in September (sadly not in time for the glorious 12th) Holland & Holland will have tweed jackets which can be teamed with tweed breeches, skirts or trousers in two or three colours.

Chaps, though, can get themselves splendidly kitted out for the shooting suit pictured (above left) comes in two different tweeds. Its particular claim to fame is that it has a phitwell, or cross-gartering elastic, across the shoulder blades, making it splendidly easy to raise the arm to take aim. They can be bought off-the-peg or made-to-measure, from £1,350.



There is also a splendid collection of unisex weatherwear which is designed to cope with the kind of foul weather that seems to go hand in hand with shooting, deer-stalking and fishing.

Made from 100 per cent waterproof traditional mackintosh fabric, it is lined in old-fashioned Austrian Loden - not as breathable as Gore-tex, but warmer and, of course, completely waterproof.

It comes in all sorts of shapes and lengths, from full-length raincoats, to three-quarter length coats and jackets.

Some have quilted linings with detachable hoods, others have special pockets for carrying dog leads, for wet gloves and no doubt even for stuffing away the odd bird. Prices start at £235.

Footwear is important.

Before the war, it seems, gentlemen wore leather boots or puttees; today a gentleman might look at Holland & Holland's Churchill shoes, photographed above left.

Water-resistant, with very strong grip soles, they are £235.

Photographed beside them is a selection of shooting stockings, £55 a pair. If it is really likely to be damp and cold leather-lined Wellington boots are the real chill-beaters.

Gieves & Hawkes pukka shooting gear has been developed exclusively for Asprey (as I report elsewhere on the page) but, being long-established gentlemen's tailors, there has always been a good selection of traditional country wear.

For this winter Gieves & Hawkes has brought out a collection of country clothing that can be happily and



fashionably worn both on and off the grouse moor.

Photographed top right are some selections from the collection. A waxed cotton sleeves gilet jacket (£225) is worn over a pure wool crew neck sweater (£125). The shirt is pure cotton (£45), the tie, pure silk (£45) while the brown check plus-tuos (less conspicuously full than plus-fours) are in pure wool and cost £150.

Hands and feet get very cold on those damp moors so the soft leather shooting gloves with silk linings sound worth the £65 outlay. The leather-lined Wellington boots are £180. Shooting stockings (never, call them socks) come in various colours and patterns and cost £59 a time while the essential garters are £1.50.

Gieves & Hawkes are at No.1 Savile Row, London W1X 2JR.

Time to set sail

COWES WEEK this year will be much enlivened by the presence of the fleet of ten identical 67-ft yachts which will race against each other in the British Steel Challenge Yacht Race around the world starting on September 28.

The race is the brainchild of Chay Blyth who did a bit of lateral thinking on yacht racing.

Whereas most races are determined by a combination of hi-tech nautical engineering and the crew's skill, with very often the competitor with the most money to throw at the problem coming in first, this race, for the first time, pits ten identical yachts (with hulls made from British Steel and designed by David Thomas) against each other.

In other words, for the first time, the skill, drive and determination of the crew should determine the winners.

What further makes the whole enterprise so interesting is that although each yacht is skippered by a properly-trained yachtsman the rest of the crew on each boat are all amateur volunteers. They are from every walk of life - dentists, doctors, solicitors, policemen, carpenters, secretaries, vets, crane-drivers, funeral directors, and chefs - each with his or her own reason for wanting to spend the next eight months in some of the most uncomfortable conditions known to man.

All this should give the social set something a little

different to think about as they make their merry way from boat to shore, dexterously changing from seafaring to black-tie and back again.

As anybody who has ever been to Cowes knows, the matter of dress is of crucial importance. Real sailing gear should, above all, look properly broken in - nothing too bright or too new should ever hit the deck. And when it comes to colour there is really no choice - the colours of the Senior Service have always been navy-blue and white and they are hard to beat.

Sensibly, when it came to designing a range of functional, tough sailing gear suitable for every nautical mood from bone-aching arctic winds to scalding tropics, Uffindell & West stuck to these tried and tested colours.

Made by Kent & Curwen, the sportswear specialists, the range offers something for anybody who likes messing around in boats as well as for those who just like to dress down at home.

Reasonably priced, at £35 for a sweatshirt, £26 for a pique polo shirt, £28 for Bermuda shorts, £39 for jogger pants, it is all good sturdy stuff.

As you can see from the photograph here, the range is for men and women, much of it, like the T-shirts and polo shirts are unisex, but all of it designed not for show but for comfort and practicality.

It can be bought by mail by telephoning 0793-706888 or by writing to Uffindell & West, PO Box 200, SN2 5BD.

Hoping for a sales boom

WHEN IT comes to guns the trade is hoping for boom times. The established leaders in the field, James Purdey and Holland & Holland seem to have a head start over their rivals.

Customers from Saudi Arabia, Hong Kong and the US, are happy to join an 18-month waiting list for a pair of hand-built guns and pay £250,500 plus VAT simply to own guns by the hallowed names.

Nevertheless, Asprey, the jewellers, in spite of the most unpropitious economic climate, has opened a gun room and now has its own craftsmen building sideboards to the finest specification.

As Edward Asprey, director in charge of the project, puts it: "With other top London gun-makers around there was no point in us making guns unless we could match them for quality. I believe we have."

"London guns are still sought-after the world-over and with so many of the old names now gone we feel quite sure there is room for us in the market, too."

Edward Asprey is a keen shot. He started with an airgun and graduated to shooting tin plates thrown by his father with a No. 2 saloon gun. There seems almost nothing he does not know about the sport.

"We have gone to immense trouble to make sure we give value for money. A pair of guns will cost £81,000 (inc VAT) but they will be deep-etched engraved, will be self-opening, hand-built and will be presented in their own double leather case."

With such a new operation (the gun room only opened last November) you might think you could buy a gun in a hurry - alas no, the waiting list at Asprey is already up to 14 months.

Those who are not in need of guns, but are seeking some of the appurtenances the sport requires, might like to know that there are very posh cartridges (from 12 bore to .410 calibre) with Asprey written all over them, as well as immensely chic leather cartridge bags and belts.

Needless to say, like any proper gun-maker, the gun-room will repair and overhaul, doing anything from restocking to rebarrelling.

For clothing, Asprey turned to Gieves & Hawkes, feeling that the expertise of a professional tailor was required. So, there is now an exclusive range of shooting suits which can be bought off-the-peg or made-to-measure.

The gun room at Asprey has its own entrance at 23 Albemarle Street, London W1X.



It's in the bag

THOSE who are heading north of the border might like to know that Hunters of Brora has used three of its sturdy 22 oz Carrol tweeds to make four splendidly rugged looking bags.

Colours are the soft hues of the Scottish highlands - gentle greens, browns, mustards and heather - and the lining is of an olive green canvas. The trimmings are leather. The Weekend Bag, photographed here, is 35 in long by 13 in wide by 12 in deep - small enough to slip under the seat on the flight to Edinburgh or Inverness, yet large enough for

most weekend needs. With an outside pocket and a clip-on shoulder strap it is £175.

The Cartridge Bag can be used as a country handbag. Made from one of three Carrol tweeds, it is 12 in wide by 10 in deep and sells for £89.50.

The Country Bag, with two outside pockets, is big enough to carry books or maps, fishing reels and fly boxes (£89.50). The Rambler Bag, a bit larger than its country cousin, is large enough to take a packed lunch, binoculars, cameras and maps and costs £149.50. Visitors to Brora in Inverness can buy them personally from the shop or tel: 0408-621366.

The love of killing

Continued from Page 1

threat to their cod quotas. In 1972 a national referendum extracted a vehement No to EC entry - particularly from the north - and no government has tried since.

Oslo ministers are adamant that the whaling decision is not a bribe to persuade the north to back a new referendum, but one local mayor, Mr Sigbjørn Ericksen of Nordland, welcomes it for the help it will give the fishing communities.

"Whaling will be one of several matters for negotiation if we decide to apply to the EC in November" the foreign ministry says smoothly, but the row is unlikely to have dissolved by then. The government has earned itself a difficult autumn, spilling a promising though incomplete scientific case with inept diplomacy and isolationist rhetoric.

Meanwhile, the Lofoten whalers look anxiously on. Greenpeace, the lobby group which has made its name by harassing whaleboats, last week tracked down one of Haug's research boats and has since deterred it from killing more whales. Leif Bendiksen, the 84-year old head of the clan, says "We're all uncertain. It's not sure this will go through. We're just a small nation."

From the porthole of the *Malmesford* Roald Olsen looks out at the sea. "I feel bitter, after hunting for so many years. To be up by Spitzbergen, in your own boat, there is nothing like it. It is my greatest desire to hunt for whales again."

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TRAVEL

To swim in the Dead Sea, first store your Sten gun

DINING on St Peter fish on the promenade at Tiberias, with a bottle of Golan white at my elbow, the waters of the Sea of Galilee at my feet and a sky of black velvet overhead, I was ready to sink into a Biblical reverie.

Then the disco cruiseboat, fairy-lit from stem to stern, came throbbing through the waves. A minute later, two flights of Cobra helicopter gunships, lights extinguished, clattered across the firmament on their way home from a retaliatory raid against the PLO in southern Lebanon.

Was this the "Galilee Experience" promised by the neon sign on the town's main street? In the ruins of Caesarea, Herod the Great's Roman city on the Mediterranean coast, a party of sixth-formers sat on the broken steps of the amphitheatre to listen to their teacher read from the guidebook. Two of the giggling girls carried automatic weapons and a curly-haired youth waved a sub-machinegun.

Down on the Dead Sea shore a soldier in outdoor battledress wandered into the men's changing room of the spa hotel holding his ticket in one hand and dragging a Sten gun with the other. We helped him cram the oily monster into a tin locker so that he could undress for his swim.

At the foot of the tel at Megiddo, a mound of earth 25 lay-

ers deep in history, a middle-aged couple from the Ukraine played 18th-century violin duos. These genteel buskers in the ruins of Armageddon, scraping a living within earshot of King Solomon's stables, were unimpeachable Zionist refugees in the modern state of Israel.

In spite of its profound Biblical associations - ones which still infect the extremes of national politics - Israel is not a country in which nostalgia can be indulged for long without the intrusion of the present.

The five-star sites of Christian pilgrimage, such as Nazareth, Bethlehem or Gethsemane, have been smothered by naive, overblown modern architecture. Even the Church of the Holy Sepulchre in the Arab quarter of old Jerusalem is magnificently vulgar.

But the new can never quite subdue the old. Parts of the Galilee lakeshore remain untouched: you can wander down the grassy Mount of Beatitudes, swim in the cold water and sit watching the ancient fishing vessels with only lizards and rock rabbits for company.

Israel is a poor, progressive and neurotic country where past and present are more entwined than in any other place I can think of. Nothing is more ancient than the stony hills of Judaea and Samaria in the West Bank and nothing

more modern than the regimental lines of low-rent villas that are being spread across them by the expansionist Israeli occupiers.

From the inside, Tel Aviv appears a raucous, modern European city. From the outside it is a sprawling, polluted shambles. In the old city of Jerusalem you can walk, in three paces, from the scruffy Arab souk to the triumphantly restored Jewish quarter with its spanking new piazzas and

Christian Tyler is intrigued and exasperated by Israel

condominiums.

Israelis have treated their past well: their museums must rank with the best in the West. But it is the present that preoccupies them. My guide, a paratrooper when on reserve duty ("elite corps," he said, proudly patting a middle-aged spread) and veteran of the 1981 invasion of Lebanon, was irritatingly and charmingly typical. Like many younger Israelis, he is agnostic, lives in Tel Aviv with a smart lawyer wife and would never dream of moving to the holy city so long as the ultra-Orthodox have such influence there. He laughed as he pointed out a kibbutz where

pigs are raised, and I am sure was not above eating the occasional "white steak" himself.

He stood respectfully to one side as a party of nuns took turns to kiss the stone at the spot where Christ's crucifix is supposed to have stood and was assiduous in his pursuit of other Christian shrines. But it was in the border areas - by the fence at Metulla where soldiers slept in the sun after night patrol in Lebanon, or driving past the minefields and deserted barracks of the Golan Heights - that he really came alive.

We scrambled over a bunker, now a tourist showpiece, from where the Syrians used to lob mortar shells into the kibbutz below. Why, I asked him, were women and children allowed to live within range of the Syrian artillery, or of the Katyusha rockets from Lebanon, or of the PLO guerrillas who crept through the perimeter fence at night to cut their throats?

"This is our land," he replied. "Should we not be allowed to live on it?"

He exhibited a characteristic Israeli chauvinism, not necessarily or primarily anti-Arab, in which everything built or planted since 1948 was due to "us." "Here you see an Arab village," he would say, "but up here we are building a Jewish village. One day it will be a big town." Or, "Here we have planted eucalyptus trees; there we are growing new kinds of

tropical fruit." Even the migrant storks that flocked over the fields became "our storks."

Israelis are still reluctant to visit Arab east Jerusalem after dark or to shop in the Old City, even though the Arab uprising in the occupied territories, the *intifada*, has subsided and the peace talks have been revived by Labour's win against the hardliners of the Likud party in the recent general election.

Provided they are reasonably careful, however, tourists need not feel too inhibited. Israelis will discourage them from venturing into the Arab towns of the West Bank (where the reality of the occupation is on show), but most difficulties can be overcome by simply hiring a Palestinian taxi with West Bank licence plates.

Then, on the Jericho road or along the Jordan valley, tourists will find enough to satisfy the hungriest appetite for Biblical tableaux: flocks of sheep and goats driven by children, peasant farmers in their smallholdings, wayside encampments of bedouin.

But even more compelling for me is the evidence of the present: the remains of Israel's bloody birth, the aggressive, intense yet self-critical behaviour of its people, the continuing conflict between ancient claims and modern democratic sensibilities. It is that which makes Israel so intriguing and exasperating.



"This is our land. Should we not be allowed to live on it?"

A dark and mysterious Irish ritual

AS DUSK falls at this time of year, a group of men dressed in camouflage jackets and hats regularly gathers on Inchy Bridge, a peaceful spot on the Argideen river about 20 miles south-west of Cork in southern Ireland.

There is an almost clandestine ritual about these meetings. Names like Connemara Black, Bloody Butcher, Silver Teal, Keyhole, Strawberry Ivy and Big Flat crop up like code words in the conversation.

Then, as it gets dark, heads

are counted. There is discussion as to whether lots should be drawn. Most of the dozen that have gathered are locals, but one is a Welshman who has arrived with his teenage son. "Ye look as though ye've done this before," says a voice in a West Cork brogue. The Welshman nods agreement. There are grunts of approval. A few sidelong glances are cast at my denim jeans and

shiny, new Wellington boots.

"Ye man here is new. It's his first time. Maybe he should go down by the Metal," says another. They decide to draw lots. There is a distant rumble of thunder. Below the bridge, above the steady gurgle of the river, a splash is preceded by the silver flash of a fish as it leaps from the water.

These people are fly-fishers.

Men. From now until October, the sea trout which is their prize return from their winter ocean habitats to spawn in the upstream pools where they themselves began life just a year or two before. The sea trout is renowned as one of the shiest fish to take a bait, and then usually only at night.

Connemara Black, Silver Teal and Bloody Butcher are the artificial flies that are painstakingly assembled by the enthusiasts to resemble the real flies the discerning trout will, on occasion, rise to. I was there, an impressive two hours' instruction in the art of fly casting behind me, to try my luck with the veterans.

The Argideen river is now one of the best sea trout rivers in Ireland, especially since the collapse of sea-trout angling on west coast rivers, which

has been blamed on sea-lice infestations spreading from salmon farms. In May a fishing lodge opened for business on the river, the first and only one of its kind, as permits are jealously controlled by the local anglers' association.

It is owned and run by Tim Severin, the travel writer, explorer and author, who has lived in the area for 20 years. The lodge consists of four cottages built from the converted granary of an old mill. They offer self-catering accommodation for up to six people in each, though only one room permit is available per lodge. The lodges are fully-equipped and tastefully decorated with a view to attracting not just fly fishermen but their families as well. Nearby attractions include horse riding, hill walking and boating.

For the anglers, though, the Inchy Bridge ritual is the focus and start of each night's sport. It is at Inchy Bridge that the fishing spots along the two-and-a-half mile fishery are assigned for the night. Big Flat, Keyhole and Metal are the names given to various deep pools which the sea-trout frequent on their journey upstream. Then, armed with a whippet piece of carbon-fibre, 30 yards of thick, rubbery line at the end of which is tied the fly, and a map for newcomers, the anglers step gingerly along the river bank.

The sea-trout taunt the fishermen. Swirls and splashes in the water confirm their presence. Flies are cast and drawn back across the pools and current and then patiently recast time and again.

A few yards down the river

bank there is a murmur of excitement. "Have you caught one?" whispers an excited voice. "To be sure I have. It's 25 ft long and full o' leaves," came the reply from an angler grappling with a tree behind him in the darkness.

As the night wears on, the leaps of the trout disappear as they tire of the game. Only the swish of the rods can be heard. As night stretches into the early hours, only the optimists remain by the riverbank and even they head for their beds a few hours before dawn. As I grope for the path back to the lodge, there is a swirl of water behind and a loud splash. Then another. I seriously start to believe that sea-trout have a sense of humour.

Not all of them have the last laugh, though. An average of 400 per year have been caught

in the Argideen over the past 10 years. In 1933, one man fishing at Inchy Bridge caught 53 sea-trout weighing 135 lbs. says a leaflet of the Argideen Anglers Association. A donkey and cart was used to carry them away.

Such stories undoubtedly help to enrich a sport that is arcane to most but an obsession to a few. Yet there is an infectious and intriguing appeal about attempting to lure one of these cunning creatures onto the hook, even if you return it to the water again.

Prices range from £145 per week per lodge at either end of the May-October season to £1310 per week in July and August, and are remarkably good value.

Argideen Fishing Lodges, Inchy Bridge, Timoleague, Co. Cork, Ireland. Contact Tim Severin, tel: (353)-23-46127 or fax (353)-23-46233.

Tim Coone

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Motoring

A Rover coupé with few rivals

ONE majored on luxury, the other on high technology. Both were new arrivals in niche markets catering for affluent seekers after sportiness and individuality.

The Rover 800 Coupé is an elegant two-door development of the 800 saloon that has become Britain's best-selling executive car.

Large two-door saloons - for this, in spite of the coupé tag, is what it is - have never been very popular in the UK. In the main, the British like their big cars to be four door saloons or estates.

So, at £30,700 including absolutely everything - from automatic transmission and leather seats to air-conditioning and a radio/tape/six-disc CD autochanger - the 800 Coupé has few obvious rivals. The only extra listed is a driver's crash-protection airbag (£750).

The showroom price of a comparable Mercedes-Benz 300CE equipped to the same level would be about £5,000 higher



The Rover 800 Coupé: in all but name a two-door saloon

although a three-litre Honda Legend coupé, with similar goodies to the Rover's but not at all traditionally British inside, is £29,995.

The Rover's pale hide, hand-stitched and dark-piped, and plentiful herringbone walnut make a Jaguar (perhaps even a Bentley) driver feel at home.

An 800 Coupé might even be seen as a

replacement for a Jaguar four-litre XJ-S coupé (£33,442 list with automatic transmission).

This veteran two-door cannot, however, seat four people, not can its boot swallow two sets of golf clubs in their trolleys.

The Rover Coupé's does, with plenty of space to spare for weekend bags. And

four full-sized people have lounging room in front or back seats.

Mechanically, the 800 Coupé is no different from a Rover Sterling. The Honda-supplied 2.7-litre, 24-valve, V6 engine puts out a smooth 169 horsepower and is well matched to the four-speed automatic. The suspension is quite soft and the power-assisted steering very light indeed.

Cruising on the motorway, the 800 Coupé is almost free of wind, tyre or mechanical noise. Even an open sunroof (does an air-conditioned car need one?) creates little disturbance in the car.

Like big Rovers of old, it is a typical senior partner's car, unlikely to be chosen by the press-on-at-all-costs kind of driver. Which makes Rover's choice of decidedly low-profile, 55 series tyres on 16-inch wheels surprising and, I suspect, mainly cosmetic.

They give sharp steering response and masses of cornering grip. But a less-squat tyre would not thump so disturbingly on rough minor roads.

State-of-the-art performance

THAT over-used term "hi-tech" really does apply to the Mitsubishi 3000 GT. How else can you describe a

twin-turbocharged, V6-engined super-car with four-wheel drive, four-wheel steering, electronically-controlled suspension and aerodynamic aids that pop up and down according to your speed?

Mitsubishi Motors says its integrated systems (the four-wheel drive and steering, ABS brakes, electronic regulated suspension and so on) make driving easier and less stressful. I will second that.

No car with a 155 mph (250 kmh) potential and 0-62 mpg (0-100 kmh) acceleration time of 5.9 seconds could be more user-friendly.

On busy roads in Bedfordshire and Hertfordshire, it ambled along at 35 mph (56 kph) in fifth waiting for a moment to overtake.

Slipped into third and right foot

down, it leapt forward like a jet fighter. Used responsibly, nothing could be said.

At 140 mph (225 kmh), still in Bedfordshire but on the Millbrook proving ground's two-mile bowl, it felt as relaxed as it had at half that speed on a dual carriageway.

Pushed hard on a winding, hilly, handling circuit, the 3000 GT's traction, braking capacity, cornering grip and sheer good manners made it flatteringly easy to drive.

The V6 that pulls uncomplainingly at little more than 1,000 rpm at 30 mph (48 kmh) in top yowls eagerly and usefully up to 6,000 rpm and more in the gears.

For a car on 17-inch wheels and ultra-sport tyres - specially-developed Dunlop SP Sport 8000s - the 3000 GT rides with surprising shock-absorbency.

It comes with air-conditioning - essential equipment in this kind of



The Mitsubishi 3000 GT 2+2. No high-performance car is more user friendly

car - and a driver's seat with inflatable bolsters that fit round one's form like a surgical corset. The rear seats are notional rather than practical but the tailgate lifts to reveal a fair amount of luggage space.

At £35,500, a Mitsubishi 3000 GT 2+2 is £20,000 cheaper than a mid-engined, strictly two-seat Honda NS-X and around £4,000 less than a Porsche 968. But it is dearer than a Nissan 300 ZX (£32,775) and the just-announced Subaru SVX (£27,990).

One hundred 3000 GTs will come to Britain this year and deposits have been taken already on more than half of them.

The UK market for high-performance sports cars and coupés is not what it was. From 11,110 in 1990, it fell to 7,481 last year. Only 2,965 were sold in the first six months of 1992.

Recession, soaring insurance premiums and an increasingly tough response by police and courts to serious speeding are to blame.

BOOKS

Pasolini: the theorem completed

William Weaver welcomes a fresh insight into the director's life

OUTSIDE Italy, Pasolini is known chiefly, if not exclusively, as a filmmaker, and beyond any question the dozen or so films he made bear the unmistakable imprint of his vital, iconoclastic, tormented mind. But for Italians - and, I think, for Pasolini himself - his writing, his poems, novels and essays, represented the truer, more complete expression of that mind, that exceptional personality.

His letters, too, are self-revealing, and the collection painstakingly assembled and cogently introduced by his cousin, Nico Naldini, forms a fascinating document, not only about Pasolini but also about the Italy of his time (he was born in 1932 and died, murdered, in 1974). Son of an army officer and a school-teacher, he spent his early youth in various northern Italian cities, then remained for most of the war in his mother's native area, Friuli, whose dialect became one of the first serious vehicles of his poetry. His younger brother was killed in the Resistance. Shortly after the war's end, accused of corrupting the youth, Pasolini was driven to leave Friuli for Rome.

He arrived there in the early 1950s, broke, virtually unknown, branded. But he soon had a circle of admiring, helpful friends, including older and influential poets such as Attilio Bertolucci and Giorgio Caproni, and several perceptive critics. It was then that, through Caproni, I met him, and like the others I was immediately impressed. From the first moment, something about him - the intensity of those bright eyes in that hewn, almost hard face; the quiet assurance of his soft voice with its (to me exotic) northern accent - told you there was a special quality about this shy young man in the ill-fitting suit and the frayed shirt.

A book of his poems (he says in one of these letters that he considered it his "first book") in Friulan dialect had just

appeared; I read it, not without a linguistic struggle, and the first impression was confirmed. I also read a haunting poem in Italian, "The Appennine", and turned it into English: it was his first translation into any language. By then we had become friends: a curious friendship in which his total seriousness always made me feel frivolous, and his steel determination to be a writer (and, it was clear, a famous writer) contrasted with my own aimless uncertainty about a future direction.

Rome in the 1950s seemed a

THE LETTERS OF PIER PAOLO PASOLINI: VOLUME I 1940-1954

edited by Nico Naldini, translated by Stuart Hood

Quartet Books £25, 526 pages

city of aspiring writers, assailing the bulwarks of the establishment: the state radio, the respected magazines, the flourishing cinema. Through his friendships (and, of course, his talent), Pasolini was soon on the inside track. He began winning prizes, contributing to reviews like *Paragone*, directed by the awesome Roberto Longi and his formidable wife Anna Bandi, frequenting the parties of another crucial couple, Alberto Moravia (who was to be his lifelong friend) and Elsa Morante. But then, at a certain hour of the evening, he would slip away to his other life, a hidden Rome, where he found not only sexual satisfaction but also literary inspiration.

In the capital's literary salons, he sometimes seemed the ambassador from another, very foreign world. If he made powerful friends, he also made powerful enemies, and with both he could be excruciatingly sincere. Some - too few - of the 425 letters in this first volume have an aggressive frankness that must have taken the recipients aback (the correspondence with the rather



stuffy senior critic Enrico Falqui has lost none of its sharpness). There are very few "confessional" letters, but those to his perceptive friend and confidante Silvana Mauri portray a vulnerable, self-critical youth in pain: these are the letters of a real writer.

Other letters - many other letters - introduce us to the less admirable aspects of Italian literary life, the canvassing for prize-jury votes, the requests for recommendations and introductions, the reciprocal reviewing and, on occasion, the flattery. Pasolini himself regretted the necessity of these manoeuvres, and - it must be said to his great credit - he wrote as many or more letters on behalf of others as in his

own interest. Still, these time-consuming machinations make slightly unpleasant reading today; and, ironically, a great number of such letters survive while, one suspects, many others, perhaps more personal and more engaging, have been lost or destroyed or not made available to the editor.

Letters, usually written only for one reader, are hell to translate; in facing this immense volume Stuart Hood has worked with insight and sensitivity and, as a whole, his achievement is considerable. Some problems are insoluble, such as salutations and closings: "*Carissimo*" can indeed be very affectionate, but not always, and similarly "*un abbraccio*", while it does indeed

mean "a hug", somehow sounds more physical in English.

In a few moments perhaps of weariness, Hood succumbs to the lure of *faux amis* (*governante* is not "governess", *inchiesta* is not "inquest", *attuale* is not "actual", and an *accelerato*, God knows, is not a fast train). But the feel of the letters is there, and the figure of Pasolini emerges.

Not wholly, of course. To understand him fully, the reader must turn to the poetry, the prose, the cinema. This book - and the companion volume we can presumably expect - will be invaluable supplements to the real work. For, as he knew from the beginning, Pasolini was, before anything else, an artist.

Magisterial but not infallible

Derek Davies reviews a major new work on China's history which will appeal to the general reader

IN WHAT was possibly the most dramatic episode in the life of a gentleman scholar, John King Fairbank, doyen of American China experts, delivered the manuscript of this history to his Harvard publishers on a September morning last year, and that afternoon died of a heart attack. The only unfinished section of the text was, uncharacteristically, the acknowledgements.

The book is a suitable swan song, probably the best and certainly the most magisterial survey of China's history. It spans the Chinese saga from 200,000 years ago when Peking Man, the hunter/fisher/gatherer and probable cannibal, flourished in caverns a few miles southwest of a contemporary museum housing the mummified remains of Mao Zedong, a much more deadly predator.

Fairbank's book comfortably deals with the huge distances of time and space, knitting the development of Chinese society (or rather of Chinese culture) together with the repetitive patterns picked out with great intelligence and urbanity.

However, this is a work for the general reader and, as such, is largely a summary of Fairbank's life work and a survey of the current state of establishment Chinese scholarship in general. It adds little, apart from the intelligent commentary and perspective he provides, to what those already interested will know.

Fairbank rehearses the social and cultural explanations of what makes up the special "different" characteristics of the Chinese people. The transplanting of rice "certainly the greatest expenditure of muscular energy in the world" in a country where land is economically more valuable than labour sets up a "vicious interdependence" which creates hostility to machines and a labour-saving invention, as well as inspiring filial respect in sons awaiting their inheritance.

He contrasts the "culturalism" of the Chinese - a nationalism born of a unified identity defined by the surrounding hordes of inner Asian "barbarians" with European and nationalism born of contact with other nation states. The Confucian and neo-Confucian

hierarchical social structures are likewise seen as admirable, indeed enviable, reflections of history and an innate culture.

All such "approaches to understanding China's history" are within the great tradition of western Sinology, where the academic who understands and empathises with Chinese civilisation feels himself duty-bound to communicate his special expertise and adjure the ignorant to make due allowances in dealing with and judging China; this process tends to be a one-way flow. Such attitudes have shaped generations of Orientalists who have reached high positions within the US State Department. Even President George Bush's short posting to Peking was sufficient to persuade him he has special insights, leading to his insistence that the Tianan-

men massacre and subsequent violations of human rights should not deny China most-favoured nation status in trade.

The same attitudes are rife among the Orientalist mandarins of Britain's Foreign Office (Sir Percy Cradock, for example, who persuaded John Major not to apologise to the Dalai Lama, Hong Kong's retiring governor, Lord Wilson, left the colony angrily denying that his qualifications had predisposed him to "kow tow" ("dreadful word") to the Dragon Throne).

The Fairbank school helped inspire an academic backlash of revisionists unwilling to swallow the China apologists' arguments. These were frequently exploited by the leaders of such authoritarian states as China itself, Singapore, Hong Kong and Taiwan, as a rationale for dictatorship and human rights violations ("You do not understand; we Chinese have no democratic traditions"). Much the same has been happening in the field of Japanology, in which modern scholars are increasingly unwilling to explain away singular-minded protectionism and market domination in terms of a cultural tendency to seek consensus. But the names of

CHINA: A NEW HISTORY

by John King Fairbank

Harvard £22.25, 510 pages

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So much for the balanced search for objective truth which academics would have us believe inspires their researches. At least when journalists get things wrong no one accuses them the infallibility with which Fairbank was credited by so many of his students.

How Catholics came in from the cold

LIKE Arlott on cricket or Elizabeth David on cooking, Mark Bence-Jones' books about the British aristocracy are well-known for mixing anecdote and magisterial knowledge into a marvelously engaging read. Today, figures such as the Duke of Norfolk and the Marquis of Bute belong so recognisably to the Great and the Good that it is startling to recall for how long Catholics were shut out from the political and official life of the nation.

The first of the series of Test Acts in 1672 debarred Catholics from holding office or sitting in parliament. By 1778, though, the date at which Bence-Jones begins his history, the advantages of not squandering their fortunes in alienating the large and surprising number of landed Catholic families still prosperous despite a century of recusancy fines, defections to Anglicanism and forfeitures for treason, real or alleged.

Full Catholic emancipation came in 1829, although the first Relief Act of 1778 had made exercising the functions of a Catholic priest or running a Catholic school no longer an offence punishable with life imprisonment.

The next boost to the Catholic cause

THE CATHOLIC FAMILIES by Mark Bence-Jones

Constable £19.95, 341 pages

came with the Oxford Movement in the mid-19th century when a rash of defections from Anglican high society had the aristocratic classes gossiping frantically about who was rumoured to be wavering and who was next to fall. Curiously, only Disraeli, among the novelists of the day, seems to have captured the mood of a nation so ill at ease with itself religiously.

Bence-Jones evokes brilliantly the dawn abdication and last-minute conversions which featured in this twilight battle for hearts and souls, so similar in atmosphere (as Graham Greene realised) to the morally ambiguous world of the modern spy thriller.

Like the true story-teller, Bence-Jones knows when to purple his prose. His popes have a habit of saying things like "*Sit tranquilla, figlia mia*", his Catholic youths tend to be slim and elegant, with large and melancholy eyes. His women seem to fall into three categories: "pretty and lively", "ugly but

cheerful" or "selfish and mean."

If the elegant youths do not develop into devilishly handsome men (Teddy Howard, for example, a cardinal and cousin of the Duke of Norfolk, was "the best-looking ecclesiastic in Rome"), they become eccentrics like "Silly Willy" (William, 10th Lord Clifford of Chudleigh), "Dirty Bertie" (Cuthbert Riddell of Swinburne), or Charles Waterton who, despite such habits as scratching the back of his head with the big toe of his right foot and pretending to be a dog under the hall table, was famous at being referred to in the *Oxford Dictionary* as "the eccentric Waterton".

Combining old-fashioned genealogical history with a marvellous eye for detail, Bence-Jones covers scandals and trials, from Mrs Fitzherbert's dangerous liaison with the Prince of Wales to the dowager Lady Tichborne's search for her elder son, Roger, whom she was determined to believe had not been lost at sea off the coast of Australia and would one day return.

In response to her advertisements in the Australian press, she received a letter from a butcher in Wagga Wagga claiming to be Sir Roger Tichborne, her long-lost son; he had, he said, survived

shipwreck and had lived under an assumed name ever since.

Like the hero of Depardieu's film, *The Return of Martin Guerre*, the Claimant, as he was known henceforth, managed to fool most of the people almost all the time despite inaccuracies such as his education at "Winchester College, Yorkshire" (to which the dowager replied: "I think my poor dear Roger confuses everything in his head").

The Claimant's family knowledge and resemblance probably owed more to his being a distant illegitimate relation. Despite a wave of public sympathy surrounding his trial in 1873, he was sentenced to 14 years' imprisonment.

Turning to this century, with the book's examples of selfless public and, notably, military service, the surface picture is of the Catholic families increasingly merging with the British establishment. The perspective, however, is always double: between London and Rome, dominions temporal and spiritual.

All in all, it is a fascinating history and one which today's whiggishly agnostic historians have neglected too readily.

Mark Archer

Madonna or whore, spy or victim?

THE FATAL LOVER: MATA HARI AND THE MYTH OF WOMEN IN ESPIONAGE

by Julia Wheelwright

Collins & Brown £16.99, 186 pages

answer. In one sense her conclusion is predictable: Mata Hari was a victim, and more over a victim of predictable kinds of male fears and attitudes. When women are either Madonnas or whores - when they are either symbols of patriotism, like Edith Cavell, or seductive betrayers - there is little mercy for any who break the conventions, as Mata Hari did, and use their sexuality to gain independence.

Mata Hari - Eye of the Dawn in Japanese - made her name as an erotic dancer. In her most celebrated act she was a Javanese maid who, whipped by priests for disobedience, escapes from an Indian temple and throws herself naked before a Hindu idol. In the early years of the century such headiness was much in vogue. It was the age of the Salome craze, Oriental mysteries, the Grecian frieze style of movement, nudity and sex tricked out as art. In an age still avowing although not practising the proprieties, such stuff was dynamite.

It was after a failed marriage to a Dutch officer called Rudolph Macleod that Amsterdam-born Margarethe Zelle went to Paris and became Mata Hari. Macleod had taken her to the East Indies, and one of their two children died there. The marriage lasted nine years, during which Margarethe suffered at the hands of her much older husband. Later she claimed that he had been violent, even to the extent of

biting off both her nipples. Her career was not smooth. In spite of a succession of lovers and occasional triumphs on stage she was often in need of money. By 1914 her career both as dancer and courtesan was approaching its natural term, and debts were mounting. Perhaps this explains much about the events which followed.

In Wheelwright's view, Mata Hari did not spy for Germany. She came under suspicion because had a predilection for older, influential men, especially Army officers. Before the war she had an affair with a German officer, and in the summer of 1914 she did so again while living in Berlin, hoping for work there. She also had affairs with senior French officers, and a Russian one. Accordingly, Georges Ladoux, the French intelligence chief, suspected her of spying, and resolved to make her a double-

agent. Between them they concocted a bizarre scheme to seduce the Kaiser's son.

Perhaps the French authorities really believed Mata Hari was a German spy. Or perhaps they knew she was merely a fantasist and self-publicist, but elected to use her as a public sacrifice to the hysteria gripping war-ravaged France. She was the perfect target: independent, sexual, threatening, easily characterised as a whore despite her artistic pretensions - a woman both accusable and disposable.

Such is Wheelwright's view, and she makes a good case. But it remains possible that Mata Hari's story is more complicated. The evidence in Wheelwright's book fascinatingly prompts as many questions as it answers. For in its pages we also meet, by chance, Marthe Richard, another Ladoux recruit and exponent of "erotic espionage". In comparing her own fate with Mata Hari's, Richard said, "I got the Legion of Honour and [she] got the firing squad". Could this be another case of war's ironic fortunes?

A.C. Grayling

Fiction

Keneally returns to his Booker format

THOMAS Keneally is known best for his 1982 novel *Schindler's Ark*, which won the Booker Prize that year and sold more copies than any other Booker winner before or since. It was a heavy mix of fact and fiction - so much fact that some people claimed it was not a novel at all - based more or less directly on a real story from Hitler's war. For his latest work, *Woman of the Inner Sea*, Keneally is trying the same thing again, albeit in a vastly different setting.

Names, dates and venues have been changed but the author says the story is essentially true, told to him a dozen years ago and filed for future reference. It tells of Kate, a prosperous Irish-Australian whose marriage to an immigrant construction boss turns sour at the same time as something terrible (it would be unfair to say what) happens to their two children.

Unable to cope, Kate abandons her husband and sets off for the Australian bush. She works as a barmaid in the middle of nowhere and takes up with several different men, one of whom keeps an emu and a kangaroo (Australia's national symbols) as pets. But her husband hires a private investigator to track her down and serve her with divorce papers. The investigator is a thoroughly unpleasant character who punches the kangaroo so hard on the nose that its hind feet rear up and shatter his pelvis. And that is only for starters.

Throw in floods, dynamite, attempted murder, an Oscar-winning film director and a defrocked priest serving five years for illicit gambling and you have the makings of a very whimsical tale indeed. In fact, parts of it would appear to belong in a different book, or even several different books.

Yet, if the story never quite coalesces as a whole, the main character is done beautifully and the plot unfolds with real skill. The problem, perhaps, is that the author has set out to tell a partially true story and truth, in the end, often turns out stranger than fiction.

WOMAN OF THE INNER SEA by Thomas Keneally

Hodder & Stoughton £14.99, 284 pages

SAMARKAND by Amin Maalouf

Quartet Books £15.95, 309 pages

THE STRANGE CASE OF MADEMOISELLE P. by Brian O'Doherty

Chatto & Windus £9.99, 128 pages

MATING by Norman Rush

Jonathan Cape £15.99, 477 pages

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Amin Maalouf's *Samarkand* is based on a true story as well, the writing of the Rubaiyat of Omar Khayyam in 11th century Persia, now Iran. It begins with Omar's arrival in Samarkand as a little-known poet and ends 900 years later with the loss of the original Rubaiyat MS in the *Titanic* disaster. The first half of the book is taken up with the writing of the poems, the second with a 19th century American scholar's hunt for the manuscript, missing for 600 years.

It is an intriguing story presented deftly by Maalouf, although the English translation by Russell Harris is a little stiff. You might feel that 11th century Persia is not your cup of tea. But think again because, in Maalouf's hands, it is a brightly-lit world of sieges, sackings, voluptuous court poets and homicidal assassins (in the original sense of the word). The narrative rambles in places and the author does not always make the best

use of a dramatic situation but he has a splendid tale to tell - one which already has won a prize in France and deserves to succeed in the UK as well.

It is a good week for fiction based on fact. Brian O'Doherty is a doctor of medicine and, for his first novel, has recreated a famous medical history from 18th century Vienna. *The Strange Case of Mademoiselle P.* tells the story, in several different voices, of Marie-Therese von Paradis, the pianist for whom both Mozart and Salieri wrote concertos.

Blind from the age of three, Marie-Therese had given up hope of seeing again until her father took her to the pioneer of psychosomatic medicine, Franz Mesmer. Thus "mesmerised", she regained her sight gradually only to see her playing suffer as a consequence. This endangered her livelihood, prompting her father to look askance at Mesmer's cure. What happens thereafter will be for readers to find out: suffice to say that it is a most interesting story, reconstructed ably by O'Doherty.

Norman Rush has been a published short story writer for more than 20 years, but *Mating* is his first attempt at anything longer. It is set in Botswana in the 1960s, where the author worked for a while, and follows the career of an American woman writing a thesis on nutritional anthropology while looking for the perfect man to sleep with.

The book is billed as a comedy of manners, and the tone is certainly jokey enough. But the author's use of English is clumsy, to say the least, and his command of dialogue almost non-existent. Some writers are long-distance performers and some are not; one suspects that Rush's natural length is the short story, rather than almost 500 pages of often tortuous prose.

Nicholas Best

PROPERTY



Prescott House, near Cheltenham, Gloucestershire: approached along a private race track

House with vintage memories

Michael Hanson on some country properties that have evocative motoring associations

THIS weekend, the Vintage Sports Car Club is holding its annual meeting at Prescott, the hill-climb course near Cheltenham, Gloucestershire. The event attracts about 10,000 spectators and the fanatical owners of some of the world's most evocative motoring hardware.

The Prescott course has belonged to the Bugatti Owners' Club for 55 years, having been saved from housing development by two brothers, Godfrey and Eric Giles, who bought the 65-acre Prescott estate in 1937 and leased the hill to the club at a peppercorn. The first meeting was held on May 15 1938.

The kilometre of winding track that echoes to the roar of engines at full throttle and the smell of high-octane fuel also is the private drive to the 18th-century Prescott House, which is for sale at £550,000 through the Cheltenham office of Humberts (0243-515-439).

Prescott House was the first clubhouse of the Bugatti Owners' Club. It was rented for many years to the BBC's motoring correspondent, B.H. Hartley, until the club

sold it in 1957 to Colonel Ian Cator.

After his death, his son sold it in 1985 to Ronnie Bock, a specialist restorer of Tang dynasty objects using unusual dentistry techniques.

"I love old cars but I am certainly not a Bugatti owner. I have never liked them," says Bock, firmly. "I have just sold a TR3A at an enormous loss but I have acquired a 1923 Star, which I shall use for everyday motoring."

He has restored and modernised Prescott House to make it a very comfortable eight-bedroom residence with garaging for four cars and more than four acres of gardens and grounds. "It must be one of the only houses in England to be approached along a private race track," he says.

Another is next door: the converted stables occupied by David Sewell, curator of the Bugatti Trust Museum, who must hope Prescott House is bought by one of the BOC's 1,800 members.

Nestling in a valley in Gloucestershire is another house with motoring associations. Atcombe Court at South Woodchester,

near Stroud, is owned by Victor Gauntlett, former chairman and part-owner of Aston Martin Lagonda. Offers of £750,000 are being sought by the Tetbury office of Humberts (0666-502-284).

This beautiful Grade II-listed Georgian building stands in more than 12 acres of gardens and grounds - including paddocks, woods and lakes - and is surrounded by farmland. Its impressive outbuildings are in immaculate condition.

The main house has seven bedrooms but there is a staff or guest wing with another three bedrooms. The former coach house and stable block have been converted into garages for at least six cars - mainly workhorses like Range Rovers and Land Rovers, his more valuable motors being kept in high-security garages elsewhere.

Gauntlett bought a stake in Aston Martin Lagonda in May 1980 and became chairman the following year, a post he occupied until he left last September (although he and Peter Livanos had sold the company to Ford in 1987).

Having founded Pace Petroleum in 1972,

which he built up to 500 filling stations by the time he sold out to the Kuwaitis in 1983, he and Livanos now are developing a new company, Proteus Petroleum, which already has 140 sites.

Although he owns some very collectable Aston Martins (including the limited-edition Vantage), Gauntlett's favourite car is a 1929 two-seater, boat-tailed, 4.5-litre "Blower" Bentley which still can do 120 mph.

"I'm really a Bentley man, first and foremost," he admits. "After all, W.O. Bentley designed the Lagonda engine that powered Aston Martins in the 1950s. I have been quite mad about Bentleys over the years. The three-litres are lovely to look at, but I'm a heavy metal man."

So, too, is Keith Schellenberg, who owns a mouth-watering collection of Bentleys. Since 1974, he has lived on the Hebridean island of Eigg, which covers 7,400 acres, but a messy divorce led to a judge ordering the island to be sold.

Knight Frank & Rutley has just announced that Eigg has been bought for around £1m - by Keith Schellenberg.

Fifth Avenue from the waist up

A 1920s building with the latest technology

FORTY-five apartments in a 1920s building with late-20th century technology are now coming on to the market at 1049 Fifth Avenue, in New York's Manhattan. The \$42m venture involves International Investment Bank Inc., which has a base in London, and New York entrepreneur Jack Keller.

The 23-storey building originally was a hotel. Most of the interior has been ripped out and re-designed to make apartments with three and four bedrooms. This fills a gap in the market for larger properties, says Investcorp's John Thompson in London.

Unusually for the area, where most of the apartments are co-operatives governed by management committees with rights to approve or veto buyers, the new development will be sold as condominiums. Prices of the units - each of which will have 12 telephone lines - range from \$750,000 to \$2m.

While Fifth Avenue is one of New York's most sought-after locations, potential buyers should know that No. 1049 is

not actually in Fifth Avenue at all. It is about 50 feet along East 86th Street, which runs off the avenue at right angles.

No. 1049 is separated from Fifth Avenue by the Yivo Institute, a low corner building. Keller tried to buy this to combine it with his re-development next door but nothing came of his approach.

The institute's address was 1047/1049 Fifth Avenue, so an arrangement was made - sanctioned by the local authority - for the new building to take over part of that address. Thus, the former 86th Street hotel is now 1049 Fifth Avenue.

After all, say the vendors, all its floors above the seventh look over the institute building on to Central Park - just like real Fifth Avenue buildings. The irony of the manoeuvre is that the institute building is now for sale.

A London estate agency is to be appointed to handle marketing of the apartments. Meanwhile, information can be gained from Investcorp in London (071-629-6600) or New York (212-650-0065).

Audrey Powell

Retirement village on the Algarve

WHILE much of the property offered in leisure resorts on sunny coasts is said to be suitable for holiday homes or the retired, usually there is little designed for all-year use by older people. Apartments will have minimal heating for winter months, the floors are likely to be chilly tiles, and facilities in many developments will close down out of season.

Portugal's Algarve once attracted a large number of older Britons, until tourists took over. There are few retirement developments there now. But Mary Cornhill-Ridd and her husband have acquired a 23-acre site a few miles from the market town of Loulé and are building a village of 30 retirement properties.

These will be a cross between cottages and apartments, built in short rows around a square and echoing the local cottage style. Although the site looks out over miles of open countryside, it is only a short drive to the beaches or Faro airport.

Work is to start soon on the cottages, which will have one and two bedrooms with a kitchen and dining area, living

room with terrace and barbecue, and an internal patio and courtyard. There are gardens and a swimming pool.

The cottages are in the grounds of a nursing home, which has been converted from a farmhouse and guest house. But they are not intended for people in need of medical treatment; the planners simply felt that some of the nursing home's amenities - such as the shop, hairdressing salon and restaurant - would be useful to cottage residents as well. In addition, some might be happier knowing the home's back-up services were there if needed.

The cottages will be available on an interest-free loan system. A payment of between £85,000-£125,000 is made, returnable after the property is vacated. There is a charge of £140 a week for a single person and £170 for a couple. This covers cleaning, laundry, air-conditioning or central heating, domestic help, external maintenance, a 24-hour call facility and lunch in the restaurant. For further information, telephone 0980-622-867 (UK).

Audrey Powell

COUNTRY PROPERTY

Put yourself in the perfect picture.

Nestling in the North Downs is the village of Brockham.

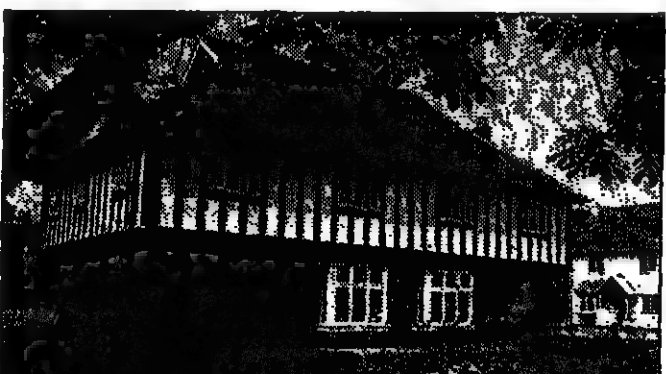
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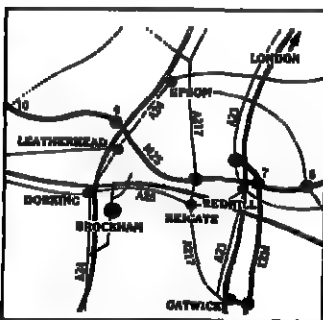
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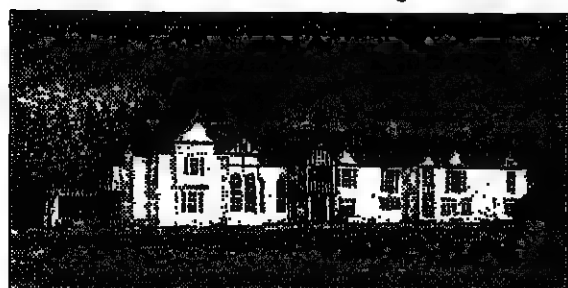
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FOOD AND DRINK

Double act that buyers cannot afford to miss

Jancis Robinson looks at the real wine bargains that are available this summer

GRAT VINTAGES can be assessed only with the benefit of some sort of historical perspective. But since so many of the best wines have traditionally been available only in infancy, clever wine buyers have had to take a foreshortened view of potential greatness. We should all be gazing in wonder at the magnificence of Europe's 1989 and 1990 vintages and working out just how many cases of this surely unrepeatable double-act we can afford. And to think how good we thought 1988 was before they came along...

This is particularly true for the great sweet whites - of Bordeaux, Alsace, the Loire and Germany, and indeed of Germany's exciting drier wines too. The exceptional ripeness of 1989 and 1990 gave them unparalleled exuberance, particularly from the stars of the Rheingau such as Liekefeld and Müller-Catoir whose wines are marvels of heady concentration whether they be dry (Troocken) medium dry (Halbtrocken) or untried; both produc-

ers' wines are sold by Oddbins whose greatest bargain has been Müller-Catoir's 1990 (and last) vintage of Müller-Thurgau (£4.99) which makes one revise all previous assumptions about this workaday grape variety. But even the wines at the very top of Müller-Catoir's glorious range, which should continue to develop well into the next century, cost less than £10. Which is more than can be said for the equally successful famous French reds of 1989 and 1990, the

smartest burgundies and (less rare) classed-growth bordeaux. There are bargains in other regions however, and these vintages were just as successful in the Loire, the Rhône and the Midi. So difficult is it to go wrong with 1989 made in and around Hermitage that even Sainsbury's lowly Crozes-Hermitage (£3.99) from the area's co-operative is rich, plump and deserves to be decanted off its low-rent label. In the Loire, these two great vintages arrived just as a decent pro-

portion of producers had got to grips with making serious sweet whites without recourse to overdoses of sugar and sulphur, and had mastered the vigour of their vines to coax maximum ripeness from their reds.

We can, therefore, choose not only from some Vouvrays which can truly be called fabulous - for Huet, try Bibendum of London NW1 and The Wine Society of Stevenage, Herts - but also from reds with more lush fruit than I have ever

tasted from the Loire.

Britain's greatest range of Loire wines of all hues is on the list of the restaurant RSJ and its wholesale wine company around the corner, an enclave of Loiremania in London SE1 (071-633-0489) - but you do have to buy by the dozen.

Charruan's stunning Saumur-Champigny, Les Folies 1989 is 583 a case and it is a miracle that the French allowed even a bottle of this wine for today, tomorrow and the next century, to escape across the

Channel. The assumption that fine wine has to be bought in infancy is being called into question however by some of the bargains being offered around the trade at the moment.

One of the more talked-about has fetched up on Oddbins' shelves resulting in such delicious vintage ports as Dow 1985, selling there for £11.49 a bottle. This is rather less than it would have cost by the dozen in 1987 and less than half the notional market price - although quite what constitutes the port market at the moment is anyone's guess.

Morocco bound to have the freshest fish

IT USED TO be said that you should never order fish in a restaurant on Mondays because it would not be fresh. This is not quite the case now. New markets - early each Monday at Brixham, Devon, and Newlyn, Cornwall, for example - and improved refrigeration techniques, particularly vacuum packing, have helped to preserve the quality of Saturday's catch. But traditional fishing ports have been reluctant to change their routines and, like most people, fishermen prefer weekends at home.

Suddenly, however, top-quality fresh fish is arriving in London in time for delivery on Monday mornings from an unexpected source: Morocco. Because they are Moslems, fishermen there rest on Friday - their holy day - and go out at weekends. And they have plenty of sea to work in: Morocco has 400 kilometres of Mediterranean coast and, more significantly, 2,600 kilometres facing the less-polluted Atlantic.

Traditionally, Moroccans have used simple 20 ft rowing boats to fish for anchovies and sardines, but both are being exhausted. So the fishermen have moved up market to John Dory, red mullet, red bream of sufficiently high quality to be eaten raw in London's Japanese sashimi bars, spotted bass, large weever with their poisonous spines, and rascasse (scorpion fish), the fish for bouillabaisse.

What guarantees quality is the fact that, although they are landed at ports modernised by the Moroccan government, the technology for catching these fish has not improved. Because there has been

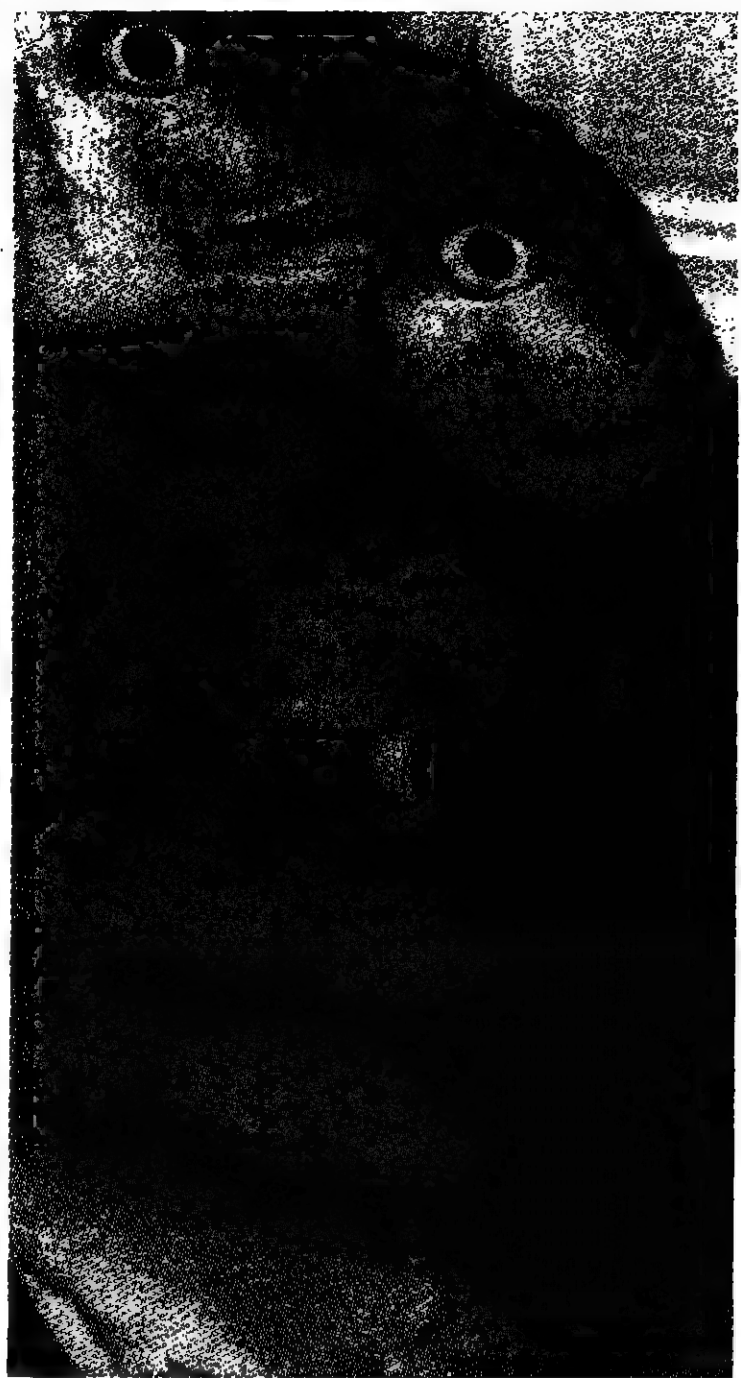
very little investment in the boats, most of the fish are caught by line rather than trawled; consequently, they are not damaged in the nets. And because the boats are so small, they work by day in the rich inshore fishing grounds and land their catch the same night. This ensures that fish do not spend two or three days losing freshness in a ship's hold.

The best fishing ports are along the Atlantic coast: El Jadida, Safi, Bessouira, Agadir and Tan-Tan. Catches are delivered immediately to Casablanca, where the fish trade has been controlled for centuries by several family firms. The fish is then packed under ice in polystyrene boxes to be flown abroad.

Moroccan fish can now be found on many of the most fashionable dining tables in London including Le Gavroche, Tante Claire, Clarke's, Kensington Place, The Ivy and Le Caprice. The importer, Cutty Catering, of London SE15, is confident that Morocco will become an important supplier because the absence of a large fish market means prices do not fluctuate as much as they do in Europe.

At the same time, cheaper air freight is making other unheralded sources more accessible. Iceland, once regarded merely as a supplier of cod for fish and chip shops, could soon be supplying large quantities of top-quality monkfish, halibut and haddock. The same goes for its smaller neighbour, the Faroe Islands. Both have the benefit of deep, cold and relatively unpolluted waters.

Nicholas Lander



Cookery

A fine kettle of turbot

Philippa Davenport with a dinner party treat

ON JULY 14 the Earl of Bradford announced plans to storm the culinary bastions of Paris: in October ten master chefs of Great Britain will descend on the George V hotel to cook for French food writers, chefs and gourmets.

The idea is to show the French that there is more to British food than smoked salmon, oysters, roast beef and steamed treacle pudding.

The menu they have chosen comprises clear oxtail soup with parsley dumplings; a platter of fish including poached crab, sautéed scallops, jellied oel and marinated haddock; pot roast partridge with caraway flavoured cabbage; blackberry and apple crumble with meat ice-cream; and British farmhouse cheeses. May a good time be had by all.

Meanwhile, as October is a long way off, I have had fun working out a summer menu of good British foods that eschew the stereotype choices of asparagus, salmon, lamb and strawberries.

This meal might begin with a selection of cold cured meats, Welsh salt duck, Macon (mutton ham), Lincolnshire chine and York or Bradenham ham, among them.

For the main course there would be turbot, arguably Britain's finest fish and an old fashioned favourite but all too rarely served these days. The fish would be cooked whole and served in the time-honoured British way, not with a butter-rich sauce, but with one that is delicately creamy, lightly thickened with flour and laced with shrimps. Braised cucumber and garden peas would make choice accompaniments.

Finally, for pudding, I suggest a puff pastry gooseberry pie, the fruit sweetened with splash of elderflower syrup, served with crinkled-skinned clotted cream.



TURBOT WITH SHRIMP SAUCE

Serves 5

Whole turbot, which can weigh 20 lb or more and was once the great dish of grand dinners, is not something you will find on many fishmongers' slabs these days. Yet a small turbot, or chicken turbot as it is charmingly called, remains a fine choice for a special occasion and is well worth ordering for a small dinner party.

The traditional way to cook turbot is to poach it in a diamond shaped kettle. More junk shops than kitchen shops stock turbot kettles now but they can still be picked up cheaply at country house sales: useful for cooking hams as well as fish.

In the absence of a suitable kettle, bake turbot, wrapping it in buttered foil with sea salt, pepper, bay leaves and slices of lemon. Lay the baggy parcel on a large baking tray and cook for about 45 minutes at 350°F/180°C (180°C/350°F) gas mark 4-5.

1 chicken turbot weighing 3½-4 lb; 1½ pt milk; 2 bay leaves; 2 lemon; a bunch of parsley. For the sauce: ½ lb cooked prawns in the shell; 4 oz poached shrimps; ½ oz each butter and flour; ¼ pt cream; 1 slice of onion; 1 bay leaf and half a dozen lightly bruised black peppercorns tied in a piece of butter muslin.

Make the sauce first as it can be prepared ahead and reheated in a double-boiler when needed. Shell the prawns, reserving the flesh to garnish the turbot. Put the shells into a saucepan with the butter muslin bag of flavourings and 1 pt milk. Bring to simmering point, cover and cook over the lowest possible heat for 10 minutes.

Remove the butter muslin bag and whisk the remaining contents of the pan in a food processor for 10 seconds only. Strain the pink shellfish-flavoured liquid through a fine sieve, pressing to extract every flavour. Measure and top up with extra milk to bring the level back to half a pint or just over.

Make a roux with the butter and flour (using the spiced butter that seals the poached shrimps, if liked) and cook for a couple of minutes. Blend in the milk away from the heat, then let the sauce simmer very gently for 5 minutes or so stirring occasionally.

Season to taste with salt, pepper, maybe a little lemon juice, and thin with the cream. Stir in the poached shrimps and heat through gently.

Make an incision down the length of the turbot's backbone on the dark skinned side to prevent curling during cooking. Lay the fish in the kettle, dark side down. Add slices of lemon, a couple of bay leaves, a few peppercorns and a mixture of milk and water to cover. Bring to a bare simmer and cook very gently indeed for 12-15 minutes or so until the flesh is no longer transparent and comes clean from the bone.

Drain the fish well, saving the milky liquor for soups. Lay it on a handsome dish, garnish with the peeled prawns, little bouquets of parsley and wedges of lemon. Hand round the sauce separately.

GARDENING

Such good English gardens in exile

Robin Lane Fox welcomes a new book which may prevent homesickness on the family holiday abroad

THE MARIAGOLDS are glowing in Italy; fibrous-rooted begonias are dotted like cats' eyes round France; Love lies bleeding on a thousand roundabouts within sight of the Mediterranean. Faced with all this foreign bedding, English gardeners on family holidays are preparing for a fortnight of exile. If they knew where to go, would it be better? Are there places abroad with the style which echoes their high ideals for the garden at home?

Most of these echoes have been left by fellow English gardeners, busy abroad. The hunt for them is very much easier this year because of a notable new book by Charles Quest Ritson called *The English Garden Abroad*, published at £20 by Viking.

From La Mortola to the Cooks of Portugal, its old photographs are well-chosen; the new colour ones are fun; the text surveys English gardens in Europe from Portugal to the French Riviera, from Malaga to eastern Sicily.

Everyone will find an unfamiliar villa and little-known facts and

practitioners of English gardening abroad: there was much more going on in the earlier part of this century than the famous lavishment of Miss Willmott in France or the amazing vulgarity of Cannes.

Many books on this topic are either picture-books or the work of garden historians who have never been near a plant or would not know the English difference between middle and upper class.

Charles Quest Ritson is something else. He has a profound knowledge of roses; his training extends from history to tax law and life with a plantswoman whose nursery stocks *Fraxus bessi* and who describes Oxford University as second-rate.

His book reads like a tightly-written brief, packed with his own research, a good line in passing comment and a sharp eye for expatriates' particular obstacles: soil, sun, and their heirs. He gives an excellent bibliography, which asks to be followed down rare avenues which he recommends.

I have been relishing it at breakfast, a chapter at a time, and the view from my window

of rain, long grass and English greenery has seemed wonderfully at odds with the dreams which he conjures up.

Often, a dream is all that is left. This book is best at the specific, the family detail, the problems of water, or the botanical specimens to be found in great gardens of the past.

It reminds us of great enterprises which cost fortunes and have now disappeared. At times, it is not entirely explicit about the level of gardening which remains.

Its unwary readers might visit Ravella on the coast of Italy, expecting to find a living tradition of plantsmanship and maintained elegance. It is worth visiting the Scottish-based garden of the Villa Rufolo and the nearby Villa Cimbrone, home of the Yorkshire expatriate, Lord Grimthorpe, whose home society knew him as the Big Bad Wolf.

The siting of these two gardens is still spectacular, on the edge of a steep cliff, but their planting is pretty awful and their upkeep is not distinguished.

Further north, in the great



One of the gardens from Quest Ritson's notable book

garden made by the Hanburys at La Mortola, the story is even worse. As Quest Ritson comments more gently, its heir, the University of Genoa, has continued to make an frightful hash of its legacy, in spite of the attempts of English experts who have been consulted. France has a fabulous pair to our own Hidcole, the second home of Lawrence Johnston at

La Serre de La Madonne. Very few gardeners have been allowed to visit its remains, but the reports are of a ruined framework, sad witness to a dream of the past.

Quest Ritson well remarks that Italians know how to restore a ruin: they also understand concepts like ecology or botanical environment. They do not have a clue about artistic gardens of flowers which can evolve in a duet with committed gardeners.

Not everything is lost and decaying. Quest Ritson has a sharp eye for neglected areas of genius, still alive and well. He appreciates the Botanic Garden in Palermo; he pays particular homage to Sir Peter Smithers and his remarkable garden at Vico Morote, which includes almost every known magnolia.

The two Wakefields, father and son, earn a large bouquet at Clos de Peyronnet; mention is made of Russell Page, the professional English designer abroad; the great garden at Niufa and the Howards make a

proper climax to the text; on Madeira, there are fond words for the Blandys and on Sicily for the Whitakers, active families whose gardens were built on fortunes from Madeira and Marsala wine, respectively.

Sometimes, the air is so rarefied that I feel myself in a minority. Many have travelled to the Villa Taranto in June in the hope of seeing the rare *Emmenopterys henryi* flowering as nowhere else in Europe. Perhaps we should join the crowds.

My own guess is that the 21st century will see a great scattering of good gardens, newly made by young English

owners who have opted for life in Europe and managed to cope with the absence of the best weed-killers in the smaller market towns.

They will have made their fortune in the stock market boom of 1994-96: more women than ever before will be cashing in their chips and setting out with personal fortunes to lose their golden handcuffs in gardens of flowers which will make Monet look old-hat.

They will revel in Quest Ritson's book and many of its bons mots. The French have always been puzzled that well-off English owners should

want to work in person and let the garden make them dirty.

At the great garden of La Mortola, Lady Forbes once wrote of her three golden rules: "Never plant singly; do not mix families of plants, which, by the laws of nature, will never have grown together; study your colour-schemes."

In practice, as Quest Ritson aptly observes, she usually broke her own rules. Expatriates, he reminds us, tend "to present as problems what in practice they see as opportunities."

From this familiar mentality, yet more good English gardens in exile are still to be born.

Plant of the week

Romneya coulteri

This is the Californian Tree Poppy, a semi-shrubby perennial with stiff, grey stems, some of which might survive the winter, but others are likely to be killed to ground level except in mild places.

Stems and leaves are grey-green; the sweetly scented flowers, which are large and poppy-like, are pure white with a big central boss of golden stamens. This is a very beautiful plant, which thrives in warm, sunny places and fertile, porous soils. It is difficult to transplant and should be obtained in pots, from which it can be planted out without root disturbance.



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Books for the Beach A new wave celebration

HERE ARE two books for the beach, celebrating as they do - in different ways - swimming and the sea. Charles Spradon's *Haunts of the Black Masseur* is, despite its opaque and inappropriate title (seemingly half-explained on page 265), straightforwardly a history and celebration of mankind's pleasure in the water.

It apparently began life as an article and turned it into a book has left stretch-marks: some repetition and too many long outlines of the plots of novels that deal with swimming. Clearly, Spradon has read virtually everything on the subject, which makes it shameful that there is neither index nor bibliography.

That said, there is much to learn and enjoy - and some splendid photographs. As with so many human activities, the Classical period (especially Rome with its 600 public baths) represents a high point. Then came the Dark Ages, lasting in this case right up to the Romantics, during which most people regarded swimming as very eccentric.

But with Goethe, Byron, Shelley, et al, it took off again and has never looked back. For the Romantics and their followers, swimming and the sea symbolised many things: heroic challenge, taken up by Byron in the Hellespont; liberation from the pressures of bourgeois life (until well on in the 19th century everyone swam naked); return to nature and the womb (in spite of Shelley's obsession with bathing and sailing, he never learned to swim, courting death through leaky boats and wild seamanship until he found it).

In the 19th century, the English dominated swimming, using the breast-stroke, which had been universal since the paddle disappeared in Elizabethan times. (It was common to learn to swim in the study, watching a frog in a bowl). Then came the crawl, and with it the 20th century has belonged to the other Anglo-Saxon nations and the Japanese. This century has also produced the diver and magnificent fests of daring and beauty, linking aquatics to art and show-business. Finally, Spradon nicely chronicles for us the explosion of the private pool, both grand and domestic, and a return to the ubiquitous symbiosis of the Romans.

James Hamilton-Paterson ranges more widely in *Seven-Tenths* (another opaque title, whose explanation is that seven-tenths of both the human body and the surface of the globe is water). There is swimming in this book too - although it runs a haunting autobiographical motif of a swimmer in mid-ocean who has drifted out of sight of his boat. But there is much else. A confessed non-scientist, Hamilton-Paterson is engagingly fascinated by the history of scientists' attempts to understand the sea and its creatures. He enjoys and is enjoyable on the subject of persistent misconceptions.

HAUNTS OF THE BLACK MASSEUR
by Charles Spradon
Jonathan Cape £15.99, 307 pages

SEVEN-TENTHS
by James Hamilton-Paterson
Hutchinson £16.99, 269 pages

For decades after everyone concerned should have known better, the view persisted that water became so - *deus ex machina* at deeper levels that sinking ships and human bodies would remain suspended some way above the bottom. For a long time, it was theoretically shown (completely wrongly) that no life was possible in deep layers of the ocean. The author gives an exciting account of the heroic descents by William Beebe and others in small contraptions they built themselves and of the wonderful things they saw. There is a scientific detective story about coral reefs and how they were formed. As so often, it turns out that Darwin got it more or less right.

Hamilton-Paterson is good on wrecks; the fascination they exert and the obsessive nature of the searches for them. After Robert Ballard finally succeeded in his quest for the *Titanic* he said: "In a way, I am sad we found her."

What gives the book its special quality is the author's elegiac tone, his continuous musing on the emotional, ethical and psychological aspects of the subjects he discusses. There is a moving account of the *USS Arizona*, a warship sunk at Pearl Harbour which has not been raised but left as a uniquely dignified war memorial ("the only example of a monument which is viewed from above"). We are treated to a persuasive theory that the famous Caribbean pirates were homosexuals to a man. Then the discussion slides to modern pirates in the Philippines and the symbiotic relationship they have with the domestic sea-people on whom they prey. And then to the nature of nomads and the loss to the human spirit which will be sustained when such people finally disappear from the world.

The book indeed is primarily about loss. There are some passionate and well-documented attacks on the current spolia of the ocean (the chapter on trawler-fishing in the North Sea is particularly horrifying). But the general tone is more subtle. It is well encapsulated by the only incident quoted in both books under review. As early as 1907 Edmund Gosse lamented that no one would ever again see the wonderful world of the seaside rock-pools which his famous naturalist father had described so beautifully and reverently 50 years before, but which had then been destroyed by the invasion of amateur collectors stimulated by that very account.

Kit McMahon

NEXT WEEK marks the bi-centenary of the birth of Percy Bysshe Shelley, one of England's greatest Romantic poets, a figure reviled in his lifetime for his scandalous life and unfashionable opinions, and quickly apotheosised after his death at the tender age of 29 as the very type of the Poet - Matthew Arnold once described him as a "beautiful and intellectual angel, beating in the void his luminous wings in vain."

Although one of his grandfathers was born in Newark, New Jersey, Shelley himself came from West Sussex, but there was no love lost between him and his forebears, whom he once described as "a parcel of cold selfish and calculating animals who seem to have no other aim or business on Earth but to eat drink and sleep." Fortunately, he spent little time there.

He was beaten and bullied at Eton, where fellow pupils denounced him as "mad Shelley", and later expelled from University College, Oxford, for failing to answer questions in front of a public tribunal (consisting of heads of college, professors and a quorum of bishops) about a pamphlet that he had written and circulated, entitled "The Necessity of Atheism." And in 1816 he was banished from the family estate for eloping to Edinburgh with the 16-year-old Harriet Westbrook - the first of many flights from authority.

Much of his later life was

spent in Italy - Lucca, where he translated Plato's *Symposium*, Venice, Naples, Pisa and, ultimately, Lerici, where he lived in a lonely beach house on the bay with the rest of his household, which by this time consisted of Mary, their son Percy Florence, and Claire Clairmont, Mary's young step-sister. It was here that his last major poem was written, "The Triumph of Life", which was left unfinished at the time of his death. The last, sad act in the drama has been well documented: Shelley, a non-swimmer, drowned in August 1822 after an unexpected squall hit the schooner *Ariel* during a return trip from a visit to Byron at Livorno. The god was dead.

The myths surrounding the person and the poetry of Shelley were freely circulating within a quarter of a century of his death. Why was Shelley so ripe for myth-making? Five reasons, principally: he had been astonishingly prolific at a very young age; he had died at sea, a kind of death that had already been immortalised by

Milton in "Lycidas"; he had lived a life of public scandal and concern, thanks to his extreme political views and his atheistical tendencies; his personal life had been repeatedly tainted by charges of immorality. And, equally scandalously, he had been friends with Lord Byron and other dangerous

Old age had not had the opportunity to wither him

aristocratic reprobates, thus heaping scandal upon infamy in the mind of a public as thirsty for the stuff then as now. But, above all things else, he had been cut off in his prime - old age had not had the opportunity to wither or mature him.

And then, in the 20th century, Shelley the Skylark's reputation nose-dived, thanks to a great deal of scatter-spray loosed off from that rusting

blunderbuss. F.R. Leavis, and his beaters, Leavis mocked and reviled Shelley for his linguistic vagaries and ridiculous rhetorical flights of fancy. Unfortunately, and as so often the case with Leavis, the quotations that were deployed to set Shelley spinning down from the upper air were highly selective - and his life and other achievements as thinker, letter-writer and savage polemicist were ignored.

It is these aspects of his multifarious talent that other, later critics have hailed as remarkable - his passionate indictment of the failures of technology; his defence of vegetarianism; and the political radicalism that made him the toast of a thousand radical and chartist groups in the middle of the 19th century while the defenders of his poetry, makers of that very myth-machine, were soaring high in the clouds with his juvenilia.

How do we explain such a multi-faceted genius as Shelley's? He seemed to contain within himself the extreme passion and the extreme ideal-



Percy Bysshe Shelley: ripe for myth-making

ism of a young man who had not lived long enough to be browbeaten into the conformities of middle age - wedded, of course, to a brilliant intellect

that genuinely believed in the power of the hammer-blows of reason to beat down the walls of Tyranny. The date of the bi-centenary is August 4.

Celebrating Shelley: the times and the places

ENGLAND'S response to the bi-centenary of the birth of one of its greatest poets has been various and disparate - so unlike the celebration of a monarch that surrounded last year's Diamond Jubilee in France. There have been many lectures and readings up and down the country, some accompanied by music.

Oxford's Bodleian Library has been hosting a Shelley bi-centenary exhibition, which runs until August 8, West Sussex County Council

declared May 20 a Shelley Vegetarian School Meals Day in commemoration of the poet's vegetarianism. The Council has also published a Shelley Trail Guide, "pinpointing places of interest in Sussex linked with Shelley and his family." In April a permanent Shelley Room was opened at Horsham Museum. At Eton, Shelley's old school, speeches were delivered in his honour on April 23.

The occasion that Shelley's shade is likely to have enjoyed the most was the Byron Society's dinner in his honour in the House of Lords on March 20, addressed by the Tory Peer Lord Blake; a more kindred spirit can scarcely be imagined. And on the day of the bicentenary itself, August 4, the National Portrait Gallery in London will host a tribute to the poet.

Overseas, in April an exhibition of Shelley manuscripts opened at the New York Public Library under the title *Shelley: Poet and Legislator*, and that continues into September. In

May a three-day international conference of Shelley scholars examined the poet's legacy at New York's City University Graduate Center.

Celebrations in Rome (where the poet's ashes are buried), many organised by the Keats-Shelley Memorial Association with support from the British Council and Penguin Italia, have included a series of readings, lectures and films, and these will continue throughout the year. In Lerici, the May Poetry festival offered an evening

boat trip in his memory - without, on this occasion, significant loss of life.

All details of this year's Shelley celebrations world-wide can be obtained (send an SAE) from the Keats-Shelley Memorial Association, Flat 1, 33 Aberdeen Road, London N5 2UG.

Publishers have also pulled out a few stops. The Hardy scholar Desmond Hawkins published a biographical account of *Shelley's First Love* (Margaret Harriet Grove) in

May (Kyle Cathie, £14.99). Those fond of the fictionalised saga might wish to dip into *Wild Spirit - the Story of Percy Bysshe Shelley* (Hodder, £15.99); Robert Gittings and Jo Mantion have re-assessed the importance of Mary Shelley's step-sister, Claire Clairmont, in *Claire Clairmont and the Shelleys* (Oxford, £20), and Judith Chernaik's *Moby's Daughters*, a fictional re-creation of the diaries of the women in the Shelley circle, is available in paperback (Pan Books, £5.99).

Festival d'Aix-en-Provence

An updated Rake that progresses nowhere

THE CONJUNCTION of a new *Rake's Progress*, brought to the stage of the Théâtre de l'Archevêché by Alfredo Arias, with the revival from last year of Robert Carsen's hit production of *A Midsummer Night's Dream* gave the Aix Festival the opportunity for its very own study in Anglo-Saxon manners. It was not a survey of eccentricity that many English would recognise now, but clearly it touched chords and confirmed prejudices with a good portion of the French audience. There, though, any parallels between the two stagings begin and end, for where Carsen's production seems to me a milestone in the stage history of Britten's opera, Arias' half-baked realisation deserves to be quickly forgotten.

There might well be an updating of *The Rake* that would give good mileage - with Tom Rakewell as 1980s yuppie perhaps, given his year

of dissolute high living courtesy of all the Nick Shadows of high Thatcherism, and with any number of possible candidates for the roles of Mother Goose and Baba the Turk. Arias settled for something much woollier and less specific. While the costumes placed it somewhere in the first half of this century, his *three fives* was to double the three protagonists with dancers, who embroidered each set piece with their own parallel plot, carefully choreographed by Andy Degroat. It was never illuminating, only distracting.

Even before the opera began the inmates of the Bedlam asylum were swarming over the stage; that they were all female, and found themselves in some pretty lurid postures raised suspicions from the start. Meanwhile a television set was offering edited highlights from Hogarth's engravings and soon showed itself to be another *idée*, dispensing a succession of Highly Meaning-

ful Images - a pair of doves billing and cooing at one point (for Tom and Anne of course), a mouse trapped in a wheel, even, heaven help us, the Household Cavalry on parade. Not so long ago the recruitment of circus midgets used to be a reliable indicator of a desperate directorial imagination; now television showing irrelevant video clips have been added to the opera's director's more dubious baggage.

It was all a great pity. For though the cast's American accents emphasised the out-of-kilter "Englishness" of the proceedings, and often drew attention to the unruly prosody of Auden and Kallman's text, the three central roles were as strongly presented as could be imagined in international opera today. Samuel Ramey has been the definitive Nick Shadow for the best part of a decade and here combined a wonderfully economical stage presence and oleaginous style with singing of understated

menace and impeccable clarity. Dawn Upshaw's Anne was utterly straightforward, prim, sweet and all the more moving in the second half of the opera for her very restraint. She particularly made the presence of a balletic double seem utterly superfluous.

Jerry Hadley was Tom; when one overcame the culture shock of hearing the lines sung with such forthright vigour and almost a Broadway style of phrasing, his performance became a compelling demonstration of vocal prowess. The Mr Trueblood of John Macurdy inevitably seemed less attractive, but together with Joan Khara's ample Mother Goose and Victoria Vergara's Baba the Turk (a replacement for the ailing Tatiana Troyanos) ensured a cast with no weak points. Kent Nagano conducted, with the kind of elegance and concern for texture and phrasing that are characteristic of his Stravinsky. Had the dramatic context only

offered more, this would have been a *Rake's Progress* of exemplary distinction.

The theatrical discipline and visual flair of the *Dream* only underlined the shortcomings of the Stravinsky. The awards and praise showered on the production last year seem entirely deserved, for it offers a vision of Britten's opera that is both breathtakingly seductive and thoroughly perceptive. Carsen's concept, using a colour scheme of bright green and deep blue (designs by Michael Levine) is carried through without ever faltering; it hardly matters that not all the ideas are freshly minted. Its parade of true English eccentrics - Puck as dirty-rain-coated flasher, Lysander agent, Demetrius City and the fairies a regiment of frockcoated public schoolboys - is never overplayed, and crucially never suffocates the individual performances of a fine cast.

There is no space to catalogue the contribution of every singer, but James Bowman's Oberon is now more sensitive of phrasing and colour than ever, and Lillian Watson's Titania, was comprehensively seductive in voice and demeanour. Juliet Booth's painfully frumpy Helena, John Graham-Hall's impossibly gawking Lysander, and Peter Rose's irrepressible Bottom must be mentioned, together with Emil Wolk's virtuoso, menacing Puck. Stuart Bedford's conducting (of the English Chamber Orchestra) unfolded the score with exemplary care. Even those who regard *A Midsummer Night's Dream* as one of Britten's most problematic operas would have laid their misgivings aside and been spellbound by this exceptional version, for which a revival is promised in Paris, Lyon and Montpellier in two years' time.

Andrew Clements

THE MOST expensive work of art sold at auction in London, in the UK, indeed in the world, in the saleroom season now ending was an Old Master painting: Canaletto's broad sweep of the Horseguards in St James's Park in 1749, which Christie's sold for the Harris family, who had owned it for more than two centuries, went to composer Sir Andrew Lloyd Webber for £10.13m.

The second most expensive work disposed of in the UK, also at Christie's, was another Old Master, Titian's "Venus and Adonis", which the experts decided was mainly in the hand of the Master rather than his studio. It went, via Christie's and the Earl of Normanston, to the Getty Museum for £7.4m. And the third most costly work? Well, yet another Old Master, Rembrandt's portrait of Johannes Uytenbogaert, which Sotheby's sold, for Lord Rosebery, to an American collector for £4.18m.

What could move so vividly sum up the transformation in the art market than the fact that three Old Master paint-

ings, all from English aristocratic collections, made the top prices in the auction room in 1991-92?

The rout, at least temporarily, of the Impressionists, and of 20th century art, of classic cars and of the abstract expressionist artists of the 1960s, is complete. The auction world has returned to its traditional ways, where connoisseurs rule and established works of art hold pride of place. Christie's reports that Old Master sales rose 25 per cent this season and furniture by 18 per cent. For Sotheby's, jewels were the biggest market - followed by Old Masters.

But this return to accepted standards is not totally good news for the salerooms. In the heady days of the late 1980s and early 1990 the speculative bubble in the Impressionists, headed by Japanese buying, pushed art prices (and sale-room profits) to unprecedented heights - \$82.5m (£43.1m) was paid for a Van Gogh; \$78.1m for a Renoir. With the disappearance of such prices for post-1870 art the annual sales of Sotheby's and Christie's have slumped and they have to work hard to make a profit.

This week they announced their results for the 1991-92 season. Sotheby's registered a worldwide decline in sales during the year of 15 per cent in

dollar terms to \$1.14bn (\$680m), while Christie's was 8 per cent lower at \$605m (\$1,082bn). The falls at least showed a levelling off on a year ago when both salerooms announced a reduction in turnover during the 1990-91 season of approaching 50 per cent.

The art market has now accepted that it is in for a long, hard haul out of recession. Christopher Davidge, managing director of Christie's, admits that he anticipates two seasons of modest growth. But there are clear signs that the worst is over. Both Sotheby's and Christie's report that sales in the first six months of this year show a 6 per cent improvement over 1991. This is the kind of growth that the auction houses anticipate in the immediate future.

In a business where confidence is vitally important, the two auction houses are skilled at finding patches of blue sky. For a start, sellers have finally accepted that the market is in the doldrums and that, to dispose of their works of art, they must lower price expectations and reserves. As a result the number of lots left unsold globally this season has remained the same, at around 23 per cent at Sotheby's and 25 per cent at Christie's (although Christie's in London has done much better, reducing its unsold lots by



Rembrandt's picture of Johannes Uytenbogaert sold for £4.18m

5 per cent during the season to 17.5 per cent).

The basic problem for the salerooms remains the reluctance of owners to risk disposing of works of art of undoubted brilliance, and heirs desperate to raise some money.

Sotheby's has actually just secured one. The death of the Prince of Thurn and Taxis in Bavaria has forced his widow to cash in some of the family's amazing art collection to meet death duties. The first, of three, auctions - consisting of jewels, silver and works of art - will be held at Geneva in November. Sotheby's is tempting buyers with very conservative estimates, and at least £2m should be raised. Michael Ainslie, chief executive of Sotheby's, hopes that this auction, which seems certain of success, will be the trigger to restore much-needed confidence to the art market.

Sotheby's needs a lift. It has found conditions marginally harder in the past season than Christie's, which got its cost reductions in first with a wave of redundancies in December 1990 and is currently trading at a small profit. Sotheby's has had its triumphs - the collection of Jaime Ortiz-Patiño raised \$30.4m; a Fabergé Egg sold for \$3.2m; there was a record for a carpet when a Louis XVI Savonnerie made \$1.2m; and the \$2.8m paid for a painting by Diego Rivera was the second highest price for a Latin American painting.

But Christie's, thanks mainly to its century-old links with the owners of Old Masters paintings and its success with

English furniture (especially the Messer collection, which brought in £7.7m), marginally increased its market share. It claims 49 per cent, a 1 per cent gain on the season and its highest share against Sotheby's since the mid 1980s. It has inflated its figures by including private treaty sales, in particular the £10m it secured by selling Holbein's "Lady with a squirrel" to the National Gallery. Even so it probably made a minor inroad and certainly heads Sotheby's in the UK and Europe.

But market share is less important than market size. While the recession extends its grip on the world there will be no substantial improvement in the fortunes of the salerooms. Speculative buying has disappeared, and antique dealers faced with unsold stock are, in markets such as 20th century art and furniture, taking a back seat to private buyers.

Both Sotheby's and Christie's have reduced their payrolls this year, frozen salaries, and had a blitz on printing and office costs. Christie's senior directors are still enduring a 20 per cent cut in their salaries, but at least the company seems safe from takeover bids. Sotheby's has attracted more speculation since its owner, Alf Taubman, decided to sell 8m shares this summer.

Phillips, third in size among the British auction houses, did well by achieving sales of £55.3m and registering a fall of only 3 per cent. It was helped by the emergence of private buyers who out-bid the moribund trade. Bonhams, fourth in size, did even better, managing growth of 2.3 per cent to £22.12m, and actually recording a gain of 14 per cent in the first six months of 1992, thanks mainly to private buying.

Indeed, all the auction houses are looking towards the collector to provide the limited growth they anticipate in the new season, which gets under way seriously in October. It will be a hard grind but, with the worst probably behind them, the auction houses can try and forget the wonder years between 1987 and 1990 and return to the slow but steady expansion, linked to the world economy, which characterised the trade in the past.

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THE 1990s epic *Raise the Titanic* cost \$36m to make, but it was not a successful film. In fact, it turned into one of the biggest box office turkeys of all time. Afterwards Lord Grade, the showbiz magnate who made it, famously observed that it would have been cheaper to lower the Titanic.

A decade later, as the British economy flounders, we need more of Lord Grade's lateral thinking if growing public spending is to be brought under control.

The trouble is, most people in Britain are useless at lateral thinking. To take an obvious example, everyone knows it is cheaper to put a sailing boat on a low-loader lorry and park it in a central London car park than to berth it in a Solent marina. But drive into the underground car park behind John Lewis in Oxford Street any day of the week, and what do you find it full of? Cars. In one sense, civil servants are

an exception to this rule: they are highly imaginative when it comes to spending more money. When asked to save it, however, they tend to revert to type. Thus it is incumbent on the rest of us to help the chancellor find the spending cuts he needs.

A good starting place might be the defence ministry. To cancel Britain's one-third share in the £20bn European Fighter Aircraft project would jeopardise 40,000 jobs, it is said. But if employment is the best reason for going ahead with the project, you do not need Lord Grade to tell you that it would make more sense to give the 40,000 workers £100,000 each to start up their own businesses, and keep

the £2.7bn change. And what of that £10bn folly, the Trident submarine? Investing sums as vast as this in countering the submarines of the former Soviet bloc is surely insanity when, for a fraction of the cost, you could buy the former Soviet fleet and scrap it.

Next might come the Department of Social Security. Some £26bn a year is spent on old-age pensions. Clearly this is an area where the search for economies needs to be balanced with compassion: subsidising the provision of hazardous sports for the elderly, for example, might be regarded as distasteful. On a more populist note, however, the welfare budget

could be slashed by offering "new age" travellers and drop-outs £1,000 each and a ticket to the foreign destination of their choice provided they promised never to come back.

After that, the criminal justice system. Whoever came up with the idea of criminalising crime committed a catastrophic blunder: far from restricting its spread, all it has succeeded in doing is driving it underground. It is time to recognise this mistake and legalise crime. If the £3bn a year saved by the abolition of the criminal justice system were to be redistributed among potential wrong-doers, they would be so busy spending the money that they would lack both the time and inclination to offend.

In fact, there is barely an area of government policy where you cannot find scope for whopping savings. Take transport: some branch lines are so heavily subsidised that it would be cheaper to close them and put chauffeur-driven limousines at the disposal of their passengers.

Education? It surely makes sense to match the number of university places with the demand for graduates instead of stuffing people's heads with useless knowledge. The arts? Cut the colossal subsidies to opera by offering everyone turning up at Covent Garden £50 to go away and have a nice meal instead. Economic forecasting? Save money and

improve accuracy by sacking the Treasury economists and replacing them with someone flipping a coin. (At least he would get it half right).

Maybe these suggestions sound barmy. But back in the 1980s, people used to say that the coal and steel industries consumed such huge subsidies that it would be cheaper to pay their employees to stay at home. So what happened? We did. And what merit there was when someone suggested it might be cheaper to pay farmers to stop growing things than to go on subsidising the production of food that could not be sold. No one is laughing now.

If Britain's economy is to be put back on an even keel, therefore, the imagination must be given its head. And to those who criticise lateral thinking as bogus, I say only this: if that kind of blinkered, small-minded attitude had prevailed at the beginning of the century, the Titanic might never have been built.

The case for lateral thinking

Richard Tomkins pulls the drawstrings on the public purse

Off to the circus

Michael Thompson-Noel



TEARS rolled down my face as the Olympic opening ceremony in Barcelona pulsed towards its climax last Saturday. Of course it was bread and circuses, an astoundingly expensive show choreographed and paid for by some of the top brains on Earth - Washington, the CIA, Peking, Kodak, Coca-Cola, Reebok - so as to keep our minds off the woes that wrack our planet. But I am a sucker for a circus. "Look at this, Miss Lee," I shouted as my executive assistant entered from the garden where she is supervising the erection of a small Greek temple. "The Spaniards have done us proud. This is mankind at his finest - 21 goosebumps-per-minute in a show costing millions and beamed out to all of us, billions of us little people, sitting in our homes. They are worshipping the old gods. We are reverting to our roots. The planet is going pagan."

Miss Lee was non-committal, but the energy and oomph of the opening ceremony were still paramount in my mind on Thursday when I was summoned to Barcelona by the UK sports minister, who is lurking in a villa high in the hills to the west of the Olympic city.

I did not catch his name, but I was sure it was the sports minister because the topic of our meeting was how to handle the Manchester Olympic Games eight years from now, assuming that Manchester, which is somewhere north of London, succeeds in its bid to stage them. The minister was wearing a variety of sports equipment, including streamlined plexi shoes borrowed from the British cycling squad.

"Hurry up, Julian," he shouted at his secretary as Julian served mineral water. Julian is a taekwondo black belt and a member of the

HAWKS & HANDSAWS

Young Conservatives.

"Right, Michael," said the sports minister from behind his fencing mask. "Chop-chop, quickie-lickie. Tell me, in 200 words, how Manchester can trump Barcelona when Britain stages the millennium Olympics in 2000. Forget the tedious sport. What about the opening ceremony? John Major is giving me untold millions to secure the Games for Manchester. He'll want his money's worth. Do you think this drugs business will foul Britain's chances?"

"Certainly not," I said. "Drugs are complicated. Who is to say what's what. As for Manchester's opening ceremony, you Tories can score a massive PR coup, for yourselves and for Britain."

"Take sports technology, Britain leads the world. This week's jubilation over Chris Boardman's superbike was not a flash or fluke. I have been talking to the manufacturers. Britain is poised for a golden breakthrough in all Olympic sports. Have you heard about our Stealth javelin? It flies out of the stadium. Or our breakthrough discus? Our leading-edge archery bow or our carbon-fibre 333 arrows? Our 21st-century yachting keels? Our hush-hush rifle with antiviral sights in which Nato is sorely interested? The new British volleyball? Handball? Tennis ball? Boxing glove? Sabre? Swimmer? Hockey stick?"

The minister was scribbling furiously. Julian had started to whoop.

"Some of these British inventions are still in pre-production, but others are set to roll. At the Seoul Olympics four years ago, minister, Britain finished 12th out of 180 nations on the medal table. But my projections show that by the time of the Atlanta Olympics in 1996, Britain will be equipped to win 78 per cent of all available medals. Four years after that: 98 per cent."

"This technological majesty must star in the Manchester show. And it is not just sports equipment. There is plenty more to make a fuss about - Britain's achievements down the ages as well as our current renaissance."

"It was Britain that smashed the atom, invented the egg-timer and the roulette wheel. Also the double-boiler. We invented almost everything. Britain leads the space race. We are discovering miracle processes faster than the Japanese. Our wine makers are peerless, our film industry eclipsing Hollywood. And what about our songs?"

"Norman Lamont is right, you know. He gets a bad press because of his blow-wave. But there are green shoots everywhere. We're not having a recession, just a bit of a pause."

The minister was stupefied. He said: "Can you stay to dinner?" "Fraid not," I said. "Must catch a plane. Governor Clinton needs me."

Tom Fort

Lean times for a man with a taste for the grand style

The insouciant Christian Lacroix, one of the last of a dying breed of couturiers, speaks to Alice Rawsthorn

CHRISTIAN Lacroix is clever, courteous, cultivated and charming, but also one of the last of a dying breed. Lacroix is a fashion designer, not just any old designer, but a Paris couturier in the grand style with an opulent, Parisian flair on the rue Faubourg Saint-Honoré where an atelier of skilled seamstresses pore painstakingly over the designs he unveiled at his haute couture show last Sunday.

Five years ago when Lacroix set up his couture house, the first to open in Paris for over a decade, he was hailed as the bright young designer who was going to breathe new life into high fashion. Today he is still in business and last Sunday's show was a critical triumph. But it is almost inconceivable that another new designer would be launched today in the same grand style as Christian Lacroix.

"Times change," he says serenely from the leafy garden of his hôtel a few doors away from the Elysée Palace. "Five years ago we were living in an era of luxury, Dallas, Dynasty and easy money. Fashion designers were style dictators telling people what to wear. Today things are different. People are less materialistic, more introspective. Designers must find a new role."

Lacroix, 41, fell into fashion by accident. He was born in Arles in southern France. His father was an engineer from protestant stock in the mountainous Cévennes region, "very strict, very sober, very moral", his mother's family was Provencal, "warm, exuberant, theatrical".

He studied art history at university with the vague idea of becoming a curator in the costume department of a museum. Design did not appeal at the time. "This was the early 1970s. My own style was a combination of Katmandu hippy and Bloomsbury Bohemian. Designers did not seem relevant and I was never interested in becoming an old-style couturier, a technician like Balenciaga or Christian Dior."

But by the mid-1970s a new group of young designers, led by Claude Montana and Thierry Mugler, was emerging in Paris. A friend took him to see a Mugler show. "It was wonderful - like a 1940s movie. Mugler treated his collection as a form of theatre to express his ideas. I had found what I wanted."

Like most young designers he started off as a freelance. He had one contract in Italy to make shoes for high class hookers and another in Japan designing dresses for the princesses at the Imperial Palace. "I was a mercenary. I loved it."

He made his name in the early 1980s through his funky couture col-

lections for Jean Patou, one of the more obscure Paris houses. In 1987 he was introduced to Bernard Arnault, now chairman of LVMH, the global luxury goods group, then a very ambitious young French businessman.

Arnault saw Lacroix as someone who could attain the same stature as the great French fashion designers, Christian Dior and Coco Chanel. The pay-back, or so he calculated, would come from the string of licensed products, the scents, cosmetics and sunglasses, bearing the Lacroix name and the cachet of his fashion collections.

At the time it all seemed to make sense. The luxury goods business was booming. Lacroix looked like a role model for the modern fashion house with Arnault taking care of the finances. He paid for everything from the seamstresses' wages to the Garouste and Bonetti bill for the pink and orange interior of the hôtel. All Lacroix had to do was to deliver his collections - and lots of

For all his talent, if Lacroix was starting off today he would find it very difficult to persuade anyone to set him up in his own house

glossy photographs of his *haut* Bohemian lifestyle in the fashion magazines - so that Arnault could market his élan.

Christian Lacroix kicked off with couture and then launched *prêt à porter*. He has since opened shops: the next opens on Monday on London's Sloane Street. He has signed licences for everything from men's ties to women's tights. Two years ago he, or rather Dior Parfums, another part of the Arnault empire, launched *C'est La Vie!*, the perfume with which his backer hoped to recoup his £18m investment in the couture house.

In retrospect Arnault's timing could scarcely have been worse. Lacroix staged his first couture collection in Paris to rave reviews in July 1987. Three months later he took it to New York arriving on the eve of the stock market collapse. "We held the show in the Wall Street district. It was terrible. There had been three suicides already that day. No-one was in the mood for fashion frivolity."

Bernard Arnault has yet to see a single cent back from his investment. The couture collection is still losing money and *prêt à porter* has

been fraught with production problems. Most worrying of all, *C'est La Vie!*, which has cost LVMH £17.5m, is not a success.

"It's the recession," says Lacroix. "People talk about our losses, but Bernard Arnault sees us as an investment, a long term investment. We always knew we would lose money for the first five years. If it wasn't for the recession we would be making money next year. Now, who knows?"

Beneath the veneer of insouciance he must be worried that Arnault could decide to cut his losses and close the house of Lacroix. From time to time the Paris fashion world ripples with rumours that Arnault is about to do just that and to dispatch Lacroix to Christian Dior, another of his fashion houses.

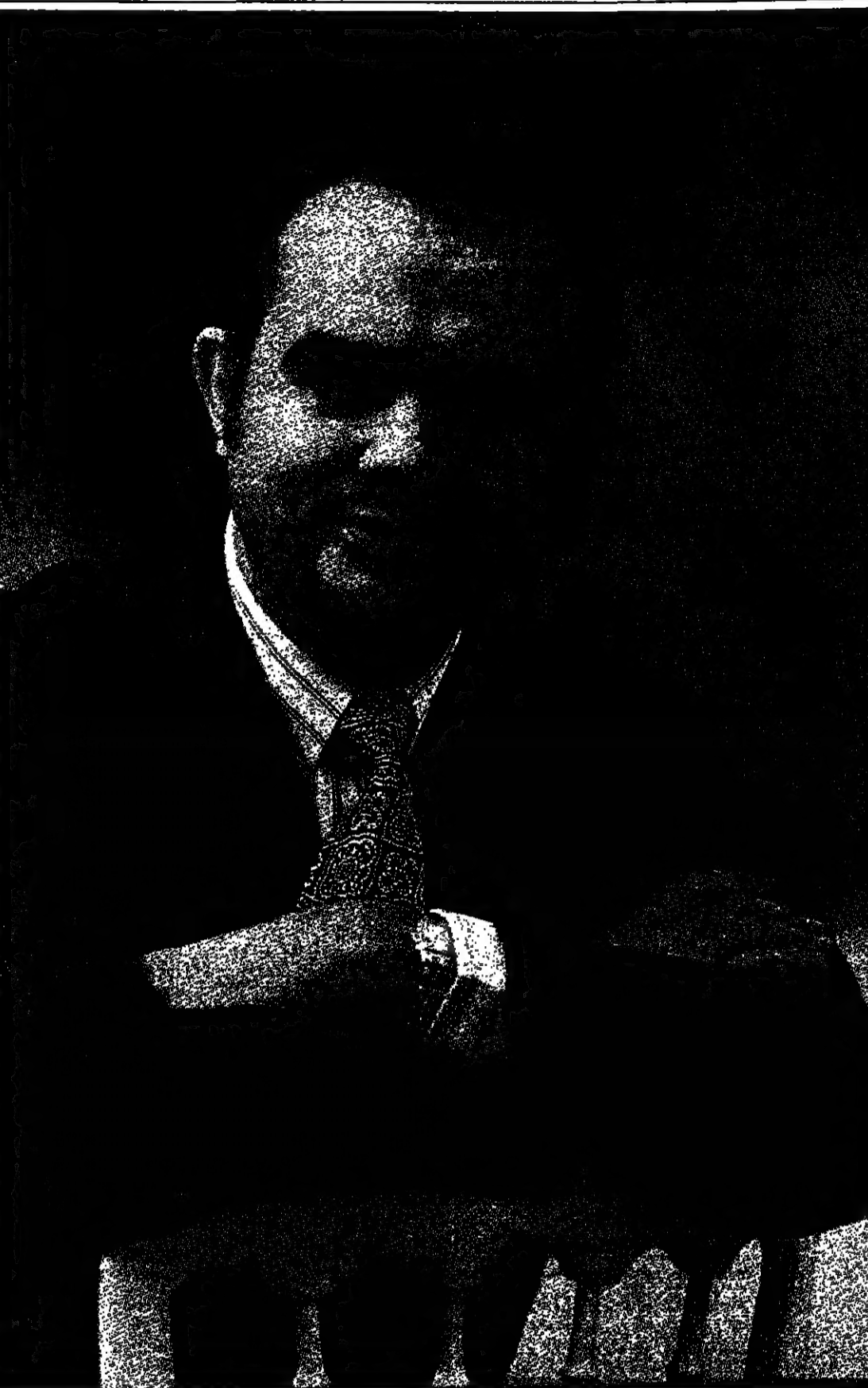
So far the rumours have proved unfounded. Arnault can have few complaints on the creative front. Lacroix has his critics in the fashion press, but they are easily outnumbered by his fans led by the redoubtable Suzy Menkes, fashion editor of the International Herald Tribune, who faithfully haunts his gaudy suits from the front row of every show.

Moreover, as Arnault must be well aware, Lacroix is seen as an institution in France, where fashion designers are feted as national treasures. Any attempt at closing the house could be catastrophic for Arnault's public image. He made a rare appearance at last Sunday's couture show as if to signal his support for his designer. "So far Bernard Arnault has had the courage and vision to support us," says Lacroix. "Let's hope he continues."

In the meantime, Lacroix is left to fulfil his side of the bargain, by concentrating on design. This is a turbulent time for the fashion world. The 1990s was an era when everything, not only the economic environment, but also the cultural climate of conspicuous consumption, seemed favourable to fashion designers.

The climate has changed. Conspicuous consumption has faded, as much because of environmental concerns as recession. The elitism of designer clothes is as alien to today's 20-year-olds, the "rave" generation, as it was to their hippy predecessors, like Lacroix himself, in the early 1970s.

"There has been a return to the values of the early 1970s," says Lacroix. "People are no longer interested in clothes as status symbols, to show how much money they have. Instead they see them as a form of self-expression. As designers we have to use our instincts to interpret the new mood."



So far the designers' response seems to have been to panic and to fling themselves to ever-greater extremes of opulence. Fashion today is polarised between basics, the functional jeans and T-shirts sold by The Gap, and the *fin de siècle* excesses of designers such as Gianni Versace, Karl Lagerfeld and, some say, Lacroix.

"People say it's immoral to make such expensive clothes at a terrible time of recession, ecological catastrophes and war in Yugoslavia. But that's not a valid issue. The reason my clothes cost so much is because they use beautiful materials, velvets and silks, and are made by hand with great skill. Those are timeless values, part of the French artisan tradition."

It is this craftsmanship, he believes, that will enable the designers to define a new direction. "This is an era when people are concerned with internal values and the quality of life. Couture is all about quality. I would never claim that fashion is a form of art. It isn't. But I do believe that you can get as much aesthetic pleasure from a beautiful piece of couture embroidery as a fine painting or a piece of sculpture. Fashion's role in the 1990s is to explore those rituals."

He may be right. But even if he is, fashion designers seem destined to play a more marginal role in the 1990s, than in the 1980s, with less influence over fashion trends and less appeal to investors.

If Lacroix was starting off today,

he would find it very difficult to persuade anyone to set him up in his own house, run in the grand style. For all his talent, he would be more likely to be struggling as an independent, or to be designing under someone else's name as he did at Patou.

Christian Lacroix was lucky in meeting the right man, Bernard Arnault, at the right time, just before the recession. "I need the grand style. Some designers can work from tiny rooms running up dresses in cheap fabric and showing them in disused metro stations. Not me. It's the rituals and the tradition of a big house that inspires me. And fashion is the only thing I can do. I don't have the talent for anything else."

Cleaner Thames tempts salmon to return - after 150 years

IT IS pleasant, when sauntering across Southwark Bridge to or from that palace of learning and culture which is the *Financial Times* headquarters, to think that, somewhere in the murky Thames' water swirling beneath one's feet, the silver Atlantic salmon is running again. The appreciation is purely mental, unfortunately. You are as likely to see a salmon there as a mermaid. But not so far upstream, at Molesey, in Surrey, they have been popping up in the National Rivers Authority fish trap in numbers which gladden the hearts of those who have worked long and hard to bring the salmon back.

The whole thing is a minor modern miracle in view of the fact that London's filth had blocked the salmon's way for almost 150 years. Early in Victorian times, the river was no more than an open sewer until an event known as the Great Stink inspired a revolution. A huge raft of suspended faeces came to rest beneath the windows of parliament.

The upshot was the construction of the capital's first sewerage scheme, designed by Sir Joseph Bazalgette. But it was not until after the Second World War that the marvellous transformation of the Thames began - one which should

compel admiration throughout continental Europe, where, by and large, the degradation of the great rivers has continued unabated.

Having made the river clean enough for salmon, the old Thames Water Authority decided that salmon there should be. It wanted - understandably, if vainly - to show off what it had done.

The task was immense. To establish a self-sustaining run of salmon, much more than clean water is needed. In particular, the fish has to be able to make its way up-river to spawn at the time of year when it feels the need. Having got there, it must be able to find suitable spawning grounds.

Standing in its way, however, were more than 40 weirs. It was essential to build fish passes - but these cost anything up to £80,000 each and the scientists reckoned that - at the very least - they would have to be installed in the 22 weirs up to Reading, west of London, for the project to have any



chance of success. So, five years ago a charity, Thames Salmon Trust, was set up to raise the money. Enlightened souls such as Sir James Goldsmith and companies like Shell and Siebe, have put their hands in their pockets. So far, a dozen passes are in place, and others are on the way. At the same

time, the NRA has continued its work in enhancing the gravel beds suitable for spawning, and introducing juvenile stock.

How admirable and plausible it all sounds. But grave doubts linger. The target of the Thames project is to achieve a run of 1,000 fish a year. When you consider that on a river

like the Moy, in the west of Ireland, something like 10,000 salmon are caught each year on rod and line, it can be seen how modest the ambition was.

Yet, in 20 years it has come nowhere near to being realised. In the best year, 1988, the run approached 500. Last year, the confirmed total was 59.

This is no fault of the scientists, who have done their utmost, nor of the Thames Salmon Trust. The causes have been the general fall in the numbers of Atlantic salmon and the successive years of drought. This summer's healthier flows have encouraged a distinct improvement in the migration.

It is, however, worth asking what the benefits would be if a run of 1,000 fish a year was established. In sporting terms it would be almost nil, since the fish would still be too scarce to repay serious angling. Any value would be principally symbolic. It would tell people that something has been done. At what

cost, though?

The fish passes up to Reading will have cost around £1m when completed. The NRA's continuing budget adds up to another £1m over 10 years. And all this to nurture and cosset a fish which even those who live by the river are most unlikely ever to see. It is impossible not to speculate on what could be done with such resources to save whole rivers from extinction.

And yet and yet. Having raised the objections, I confess that I am still undecided. Reason suggests that the whole idea was a pipe dream and should have remained such. But having come so far, and having expended such effort, it would seem a terrible shame not to go on, even if circumstances do eventually conspire to sabotage the project. And, yes, it is cheering, even inspiring, to think of this marvellous creature fighting its way against the odds and the current through the heart of London, as it did two centuries ago.

The Thames Salmon Trust is anxious to attract individual and corporate sponsors for the fish pass programme. Inquiries to Major John Ryslop, Kings Meadow House, Kings Meadow Road, Reading, Berkshire (tel: 0734-635-544).